

Matzikama

MUNICIPALITY



UNAUDITED ANNUAL FINANCIAL STATEMENTS

30 JUNE 2018

MATZIKAMA MUNICIPALITY

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MATZIKAMA MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GENERAL INFORMATION

NATURE OF BUSINESS

Matzikama Municipality is a local municipality performing the functions as set out in the Constitution of the Republic of South Africa.

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998) and are classified as a medium capacity municipality.

JURISDICTION

The Matzikama Municipality includes the following areas:

Vredendal
Vanrhynsdorp
Klawer
Koekenaap
Lutzville
Ebenhaezer
Strandfontein
Doringbaai
Bitterfontein
Nuwerus
Stofkraal
Molsvlei
Rietpoort
Kliprand

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	G STEPHAN
Deputy Executive Mayor	A SINDYAMBA
Executive Councillor	RJ NUTT
Executive Councillor	WD LOFF
Executive Councillor	AFK JOB

MUNICIPAL MANAGER

DP LUBBE

CHIEF FINANCIAL OFFICER

GRJ SEAS

REGISTERED OFFICE

37 Church Street, Vredendal, 8160

AUDITORS

Auditor-General of South Africa, Private Bag X1, Chempet, 7442

PRINCIPLE BANKERS

ABSA Bank

ATTORNEYS

Swanepoel and Swanepoel Attorneys
Koos Coetzee Attorneys
TNK Attorneys
Downing Engelbrecht

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALGBC

MATZIKAMA MUNICIPALITY

MEMBERS OF THE MATZIKAMA MUNICIPALITY

COUNCILLORS

1	M CAROSINI
2	AFK JOB
3	AW LINKS
4	WD LOFF
5	NS LOUW
6	RJ NUTT
7	A SINDYAMBA
8	MV CLOETE
Proportional	G STEPHAN
Proportional	WH NEL
Proportional	PG BOK
Proportional	NM NGOBO
Proportional	J DE JONGH
Proportional	XP TSHETU
Proportional	DD JENNER

APPROVAL OF FINANCIAL STATEMENTS


I am responsible for the preparation of these annual financial statements for the year ended 30 June 2018, which are set out on pages 7 to 60 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2019 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and approved by council in concurrence with the MEC for Local Government in the province.



DP LUBBE
Accounting Officer

31 AUGUST 2018

Date

MATZIKAMA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2018 R	Restated 2017 R
NET ASSETS AND LIABILITIES			
Net Assets		521 210 899	503 578 835
Capital Replacement Reserve	2	4 545 000	4 392 000
Accumulated Surplus		516 665 899	499 186 835
Non-Current Liabilities		113 917 152	110 135 339
Long-term Borrowings	3	19 066 401	21 662 766
Non-current Provisions	4	62 314 975	57 801 084
Non-current Employee Benefits	5	32 535 776	30 671 489
Current Liabilities		80 504 353	27 550 897
Consumer Deposits	6	4 731 743	4 451 963
Current Employee Benefits	7	11 298 103	9 874 946
Trade and Other Payables from exchange transactions	8	36 812 078	7 362 883
Unspent Transfers and Subsidies	9	22 699 967	1 659 812
Short-term Borrowings	3	4 962 463	4 201 292
Total Net Assets and Liabilities		715 632 403	641 265 071
ASSETS			
Non-Current Assets		640 588 156	615 226 030
Property, Plant and Equipment	11	572 832 585	547 243 648
Investment Property	12	66 973 582	67 691 582
Intangible Assets	13	661 755	212 200
Long-term Receivables	14	120 233	78 599
Current Assets		75 044 248	26 039 040
Inventory	15	694 818	490 540
Receivables from exchange transactions	16	19 098 490	14 369 646
Receivables from non-exchange transactions	17	6 755 713	5 479 694
Unpaid Transfers and Subsidies	9	-	810 154
Operating Lease Asset	18	87 563	81 591
Taxes	10	1 714 580	437 979
Current Portion of Long-term Receivables	14	240 466	253 380
Cash and Cash Equivalents	19	46 452 617	4 116 056
Total Assets		715 632 403	641 265 071

MATZIKAMA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 R
REVENUE			
Revenue from Non-exchange Transactions		139 646 317	140 187 449
Property Rates	20	44 726 706	42 530 478
Government Grants and Subsidies	21	94 911 850	79 334 043
Contributed Property, Plant and Equipment	24	7 761	18 322 928
Other Revenue		8 406 342	5 563 106
Actuarial Gains	5	1 033 873	3 266 714
Fines, Penalties and Forfeits		6 886 285	2 296 392
Gains on Sale Investment Property		486 184	
Revenue from Exchange Transactions		156 650 658	163 246 044
Service Charges	22	140 281 091	147 352 224
Sales of Goods and Rendering of Services	23	2 731 805	3 506 765
Rental from Fixed Assets	25	3 718 402	3 620 846
Interest Earned - external investments	26	2 497 636	1 700 714
Interest Earned - outstanding receivables	27	2 834 827	3 161 708
Licences and Permits		1 301 928	1 163 619
Agency Services	28	3 284 970	2 740 169
Total Revenue		304 703 317	308 996 599
EXPENDITURE			
Employee related costs	29	112 921 500	102 148 374
Remuneration of Councillors	30	6 839 312	6 100 498
Contracted Services	31	7 747 928	5 399 956
Debt Impairment	32	14 698 034	13 477 977
Depreciation and Amortisation	33	14 382 438	13 625 108
Finance Costs	34	8 242 399	7 816 932
Bulk Purchases	36	87 611 998	90 355 253
Transfers and Subsidies	37	1 436 453	1 079 970
Inventory Consumed	15	8 529 196	7 565 004
Operational Costs	38	24 420 618	25 095 952
Impairment loss on property, plant and equipment		61 179	-
Loss on disposal of Property, plant and equipment		180 080	1 381 867
Total Expenditure		287 071 134	274 046 891
NET SURPLUS FOR THE YEAR		17 632 183	34 949 707

MATZIKAMA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
Balance at 30 June 2016	3 375 000	464 621 778	467 996 778
Correction of error - note 40.4	-	71 648	71 648
Restated Balance at 30 June 2016	3 375 000	464 693 426	468 068 426
Net Surplus for the year	-	34 991 552	34 991 552
Transfer to/from CRR	4 392 000	(4 392 000)	-
Property, Plant and Equipment purchased	(3 375 000)	3 375 000	-
Correction of error - note 40.4	-	518 738	518 738
Balance at 30 June 2017	4 392 000	499 186 716	503 578 716
Net Surplus for the year	-	17 632 183	17 632 183
Transfer to/from CRR	4 545 000	(4 545 000)	-
Property, Plant and Equipment purchased	(4 392 000)	4 392 000	-
Balance at 30 June 2018	4 545 000	516 665 899	521 210 899

MATZIKAMA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other	41.1	312 418 823	283 437 983
Cash paid to suppliers and employees	41.2	(231 672 677)	(263 107 579)
Cash generated by operations	41.3	80 746 146	20 330 404
Investment income		2 497 636	4 862 422
Interest paid		(2 648 713)	(3 156 265)
Net Cash from Operating Activities		80 595 069	22 036 561
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(37 374 906)	(25 249 635)
Proceeds on Disposal of Fixed Assets		1 204 184	553 156
Purchase of intangible assets		(500 429)	
Decrease in Non-Current Debtors		41 634	40 111
Net Cash from Investing Activities		(36 629 517)	(24 656 368)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase in Consumer Deposits		279 780	340 237
Repayment of Borrowing		(1 908 771)	(4 114 901)
Net Cash from Financing Activities		(1 628 991)	(3 774 664)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		42 336 561	(6 394 471)
Cash and Cash Equivalents at the beginning of the year		4 116 056	10 510 526
Cash and Cash Equivalents at the end of the year	41.4	46 452 617	4 116 055

MATZIKAMA MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by- law)	Final Budget	Actual Outcome 2018	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	%
ASSETS								
Current Assets								
Cash	8 466 760	11 219 177	19 685 937	-	-	19 685 937	46 452 617	135.97%
Call Investment Deposits	-	-	-	-	-	-	0	0.00%
Consumer Debtors	29 253 773	(2 858 181)	26 395 592	-	-	26 395 592	23 274 383	-11.82%
Other Debtors	87 611	431 959	519 570	-	-	519 570	4 381 963.00	743.38%
Current Portion of long-term receivables	-	253 380	253 380	-	-	253 380	240 466	-5.10%
Inventory	568 612	(46 678)	521 934	-	-	521 934	694 818	33.12%
Total Current Assets	38 376 757	8 999 657	47 376 413	-	-	47 376 413	75 044 248	58.40%
Non-Current Assets								
Long-term Receivables	-	78 599	78 599	-	-	78 599	120 233	52.97%
Investments	-	-	-	-	-	-	-	-
Investment Property	80 752 982	(13 061 400)	67 691 582	-	-	67 691 582	66 973 582	-1.06%
Investment in Associates	-	-	-	-	-	-	-	-
Property, Plant and Equipment	578 875 751	14 658 395	593 534 146	-	-	593 534 146	572 832 585	-3.49%
Agricultural Assets	-	-	-	-	-	-	-	-
Biological Assets	-	-	-	-	-	-	-	-
Intangible Assets	162 035	465 021	627 057	-	-	627 057	661 755	5.53%
Other Non-Current Assets	-	-	-	-	-	-	-	-
Total Non-Current Assets	659 790 768	2 140 616	661 931 384	-	-	661 931 384	640 588 156	-3.22%
TOTAL ASSETS	698 167 525	11 140 272	709 307 797	-	-	709 307 797	715 632 403	0.89%
LIABILITIES								
Current Liabilities								
Bank Overdraft								
Borrowing	5 200 678	(1 466 235)	3 734 444	-	-	3 734 444	4 962 463	32.88%
Consumer Deposits	4 374 877	77 087	4 451 963	-	-	4 451 963	4 731 743	6.28%
Trade and Other Payables	25 001 513	(4 537 139)	20 464 373	-	-	20 464 373	59 512 044	190.81%
Provisions	10 103 923	403 020	10 506 943	-	-	10 506 943	11 298 103	7.53%
Total Current Liabilities	44 680 991	(5 523 268)	39 157 723	-	-	39 157 723	80 504 353	105.59%
Non-Current Liabilities								
Borrowing	29 568 195	(11 639 873)	17 928 322	-	-	17 928 322	19 066 401	6.35%
Provisions	100 758 216	(6 367 527)	94 390 689	-	-	94 390 689	94 850 751	0.49%
Total Non-Current Liabilities	130 326 410	(18 007 400)	112 319 011	-	-	112 319 011	113 917 152	1.42%
TOTAL LIABILITIES	175 007 401	(23 530 667)	151 476 734	-	-	151 476 734	194 421 505	28.35%
NET ASSETS								
Accumulated Surplus/(Deficit)	517 479 247	31 721 878	549 201 125	-	-	549 201 125	516 665 899	-5.92%
Reserves	5 680 876	2 949 061	8 629 938	-	-	8 629 938	4 545 000	-47.33%
TOTAL NET ASSETS	523 160 123	34 670 940	557 831 063	-	-	557 831 063	521 210 899	-6.56%

MATZIKAMA MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Original Budget	Budget Adjustments	Final Adjustment Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
		(i.t.o. s28 and s31 of the MFMA)		(i.t.o. s31 of the MFMA)	(i.t.o. Council approved by- law)		2018	%
	R	R	R	R	R	R	R	%
REVENUE								
Property Rates	46 631 956	650 673	47 282 628	-	-	47 282 628	44 726 706	-5.41%
Service Charges - Electricity Revenue	110 458 836	74 000	110 532 836	-	-	110 532 836	100 072 268	-9.46%
Service Charges - Water Revenue	18 497 737	(1 960 000)	16 537 737	-	-	16 537 737	11 015 989	-33.39%
Service Charges - Sanitation Revenue	15 267 971	(150 000)	15 117 971	-	-	15 117 971	14 251 530	-5.73%
Service Charges - Refuse Revenue	15 589 655	(150 000)	15 439 655	-	-	15 439 655	14 941 304	-3.23%
Service Charges - Other Revenue	-	-	-	-	-	-	0	0.00%
Rental of Facilities and Equipment	4 065 578	(2 633 425)	1 432 153	-	-	1 432 153	1 596 652	11.49%
Interest Earned - External Investments	1 550 000	-	1 550 000	-	-	1 550 000	2 497 636	61.14%
Interest Earned - Outstanding Debtors	3 100 000	(650 673)	2 449 327	-	-	2 449 327	2 834 827	15.74%
Dividends Received	-	-	-	-	-	-	-	-
Fines	2 463 009	-	2 463 009	-	-	2 463 009	6 886 285	179.59%
Licences and Permits	1 070 700	(900)	1 069 800	-	-	1 069 800	1 301 928	21.70%
Agency Services	3 070 996	-	3 070 996	-	-	3 070 996	3 284 970	6.97%
Transfers and subsidies	57 074 000	3 281 971	60 355 971	-	-	60 355 971	59 053 464	-2.16%
Other Revenue	4 827 344	6 294 325	11 121 669	-	-	11 121 669	5 887 428	-47.06%
Gains on Disposal of PPE	7 673 586	3 100 000	10 773 586	-	-	10 773 586	486 184	-95.49%
capital transfers and	291 341 367	7 855 971	299 197 338	-	-	299 197 338	268 837 171	-10.15%
EXPENDITURE								
Employee Related Costs	112 748 795	(716 349)	112 032 446			112 032 446	111 334 348	-0.62%
Remuneration of Councillors	6 605 370	133 717	6 739 087			6 739 087	6 839 312	1.49%
Debt Impairment	10 700 000	4 900 000	15 600 000			15 600 000	14 698 034	-5.78%
Depreciation and Asset Impairment	14 822 120	690 000	15 512 120			15 512 120	14 382 438	-7.28%
Finance Charges	10 158 620	111 134	10 269 754			10 269 754	8 242 399	-19.74%
Bulk Purchases	90 281 405	(1 320 000)	88 961 405			88 961 405	87 611 998	-1.52%
Other Materials	-	9 172 349	9 172 349			9 172 349	8 529 196	0.00%
Contracted Services	63 721	10 482 534	10 546 256			10 546 256	7 747 928	-26.53%
Transfers and subsidies	1 132 110	386 880	1 518 990			1 518 990	1 427 790	-6.00%
Other Expenditure	44 816 798	(16 009 524)	28 807 274			28 807 274	26 077 611	-9.48%
Loss on Disposal of PPE	-	-	-			-	180 080	0.00%
Total Expenditure	291 328 939	7 830 742	299 159 681	-	-	299 159 681	287 071 134	-4.04%
Surplus/(Deficit)	12 428	25 229	37 657	-	-	37 657	(18 233 963)	-48520.67%
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	34 819 000	15 748 138	50 567 138			50 567 138	35 858 386	-29.09%
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	3 700 000	(3 700 000)	-	-	-	-	-	0.00%
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	7 761	0.00%
Transfers & Contributions	38 531 428	12 073 367	50 604 795	-	-	50 604 795	17 632 183	-65.16%
Taxation	-	-	-	-	-	-	-	0.00%
Surplus/(Deficit) after Taxation	38 531 428	12 073 367	50 604 795	-	-	50 604 795	17 632 183	-65.16%
Attributable to Minorities	-	-	-	-	-	-	-	0.00%
Surplus/(Deficit) Attributable to Municipality	38 531 428	12 073 367	50 604 795	-	-	50 604 795	17 632 183	-65.16%
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	0.00%
Surplus/(Deficit) for the year	38 531 428	12 073 367	50 604 795	-	-	50 604 795	17 632 183	-65.16%

MATZIKAMA MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by- law)	Final Budget	Actual Outcome of Final Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	2018 R	%
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Taxation	42 435 080	1 093 650	43 528 730			43 528 730	43 251 197	-0.64%
Service Charges	144 326 333	1 812 152	146 138 485			146 138 485	136 635 863	-6.50%
Other Revenue	19 197 626	(5 540 000)	13 657 626			13 657 626	15 649 286	14.58%
Government - Operating	57 074 000	1 742 885	58 816 885			58 816 885	58 817 000	0.00%
Government - Capital	34 819 000	22 436 846	57 255 846			57 255 846	58 065 885	1.41%
Interest	4 340 000	103 704	4 443 704			4 443 704	2 497 636	-43.79%
Dividends	-	-	-			-	-	-
Payments								
Suppliers and Employees	(254 514 367)	5 877 547	(248 636 820)			(248 636 820)	(230 236 224)	-7.40%
Finance costs	(3 616 457)	796 578	(2 819 879)			(2 819 879)	(2 648 713)	-6.07%
Transfers and Grants	(1 132 110)	(346 240)	(1 478 350)			(1 478 350)	(1 436 453)	-2.83%
Net Cash from/(used) Operating Activities	42 929 105	27 977 122	70 906 227	-	-	70 906 227	80 595 477	13.66%
CASH FLOW FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	7 673 586	3 100 000	10 773 586			10 773 586	1 204 184	-88.82%
Decrease/(Increase) in Non-Current Debtors	-	-	-			-	41 634	100.00%
Decrease/(Increase) in Other Non-Current Rece	-	-	-			-	-	-
Decrease/(Increase) in Non-Current Investment	-	-	-			-	-	0.00%
Payments								
Capital Assets	(47 708 928)	(14 488 148)	(62 197 076)			(62 197 076)	(37 875 335)	-39.10%
Net Cash from/(used) Investing Activities	(40 035 342)	(11 388 148)	(51 423 490)	-	-	(51 423 490)	(36 629 517)	-28.77%
CASH FLOW FROM FINANCING ACTIVITIES								
Receipts								
Short Term Loans	-	-	-			-	-	0.00%
Borrowing long term/refinancing	-	-	-			-	-	0.00%
Increase/(Decrease) in Consumer Deposits	263 150	98 862	362 013			362 013	279 780	-22.72%
Payments								
Repayment of Borrowing	(5 200 678)	925 810	(4 274 868)			(4 274 868)	(1 908 771)	-55.35%
Net Cash from/(used) Financing Activities	(4 937 528)	1 024 672	(3 912 856)	-	-	(3 912 856)	(1 628 991)	-58.37%
NET INCREASE/(DECREASE) IN CASH HELD	(2 043 765)	17 613 646	15 569 881	-	-	15 569 881	42 336 969	171.92%
Cash and Cash Equivalents at the year begin:	10 510 525	(6 394 469)	4 116 056			4 116 056	4 116 056	0.00%
Cash and Cash Equivalents at the year end:	8 466 760	11 219 177	19 685 937	-	-	19 685 937	46 453 025	135.97%

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

1.2 PRESENTATION CURRENCY

Amounts reflected in the financial statements are presented in South African Rand and at actual values. Financial values are rounded to the nearest one Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These financial statements have been prepared on the going concern basis.

1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as practicable and the prior year comparative figures are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as practicable and the prior year comparatives are restated accordingly. The principal amendments to matters disclosed in the current financial statements include errors.

1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

1.6 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision of assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. The materiality is from management's perspective and does not necessarily correlate with the auditor's materiality. For the purposes of explaining variances on the face of the financial statements the figure of 10% is utilised by management and deemed appropriate.

1.7 PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following

- the approved and final budget amounts for the 2017/18 financial year
- the actual amounts and final budget amounts for the 2017/18 financial year

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements. Variances larger than 10% are seen as material, and explanations provided.

Explanations for differences between the final budget amounts and the actual amounts are included in the Notes to the Financial Statements. Variances larger than 10% are seen as material, and explanations provided.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

GRAP 20 Related Party Disclosure (Original-June 2011)

The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The Municipality as resolved to use the disclosure requirements of GRAP 20 to formulate its own accounting policy for related party transactions. The information is therefore included in the financial statements.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GRAP 32 Service Concession Arrangements: Grantor (Original-August 2013)

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity. No such transactions or events are expected in the foreseeable future.

GRAP 108 Statutory Receivables (Original-September 2013)

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The Municipality resolved to adopt the principles as set out in GRAP 28 to formulate its own accounting policy.

GRAP 109 Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.

IGRAP 17 Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. No such transactions or events are expected in the foreseeable future.

1.9 RESERVES

1.9.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

1.10 LEASES

1.10.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.11 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable. Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this liability:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash is invested as an individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it payable to the funder it is recorded as part of creditors. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.12 UNPAID CONDITIONAL GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public. Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.13 PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.14 EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.14.1 Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.14.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.14.3 Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee. Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

1.14.4 Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.14.5 Pension and Retirement Fund Obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.14.6 Other Short-Term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset

1.15 BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.16 PROPERTY, PLANT AND EQUIPMENT

1.16.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.16.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.16.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated average asset lives:

	Years		Years
Infrastructure		Other	
Roads and Paving	15-100	Vehicles	6-24
Electricity	1-80	Furniture and Office Equipment	6-22
Water	15-100	Plant and Equipment	6-34
Sewerage	10-100	Landfill Sites	13-38
Community		Land and Buildings	
Buildings	10-100	Land	Infinite
Recreational Facilities	0-100	Buildings	100
Halls	0-100		
Libraries	0-100		
Taxi Ranks and			
Parking Areas	100		
Parks and gardens	0-100		
Cemeteries	100		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.16.4 Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17 INTANGIBLE ASSETS

1.17.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.17.2 Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.17.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Intangible Assets	Years
Computer Software	15
Rights	15

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.17.4 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18 INVESTMENT PROPERTY

1.18.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality account for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.18.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.18.3 Derecognition

Investment property is derecognised when it is disposed of or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

ACCOUNTING POLICY NOTES TO THE FINANCIAL STATEMENTS (Continue)

1.19 IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 Cash Generating Assets

Cash-generating assets are assets held with the primary objective of generating a commercial return. The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount. In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information

Evidence is available of obsolescence or physical damage of an asset.

Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 Non-Cash Generating Assets

Non-cash generating assets are assets other than cash-generating assets. The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or with annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount. In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

External sources of information

Cessation, or near cessation, of the demand or need for services provided by the asset.

Significant long term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

Internal sources of information

Evidence is available of physical damage of an asset

Significant long term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the extent to which, an asset is used or expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss and is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Depreciation replacement cost approach

The present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Restoration cost approach

The cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service unit approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20 INVENTORIES

1.20.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.20.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the first-in-first-out method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.21 FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include non-statutory receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.21.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.21.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance.

Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.21.3 De-recognition of Financial Instruments

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired; or

The Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.21.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.22 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions. Examples of Statutory receivables would be rates and fines.

1.22.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.22.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount.

The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.22.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or valid or are waived;
- (b) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case the Municipality (i) derecognise the receivable; and (ii) recognise separately any rights and obligations created or retained in the transfer.

1.23 REVENUE

1.23.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality.

Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof is virtually certain. Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units. The pre-paid electricity sold, but not consumed yet at year-end is disclosed under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- the prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.24 RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 - Related Party Disclosures

A related party is a person or entity

- with the ability to control or jointly control the other party
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the municipality

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the municipality
- has significant influence over the municipality. Significant influence is the power to participate in the financial and operational decisions
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic activity (each controlling entity, controlled entity and fellow controlled entity is related)
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity)
- both entities are joint ventures of the same third party
- one entity is joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of either Municipality or an entity related to the municipality.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity or its controlling entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

(a) all members of the Council of the municipality;

(b) a member of the Council of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the municipality

(c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the municipality; and

(d) the senior management team of the Municipality, including the municipal manager of the municipality

Management personnel include:

(a) all directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the mayoral committee.

(b) other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the municipal manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.25 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability. The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote.

A contingent asset is disclosed where the inflow of economic benefits or service potential is probable. Management judgement is required when recognising and measuring contingent liabilities.

1.29 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.29.1 Post-retirement Medical Obligations and Long Service Awards

The cost of post retirement medical obligations, long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 5 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.29.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.29.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding the useful lives and residual values of property, plant and equipment.

- the useful life of movable assets was determined using the age of similar assets available for sale in active markets. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government industry guides were used to assist with deemed cost and useful lives for infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful lives of buildings. The Municipality also consulted with engineers to support the useful lives of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets. The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature currently in other municipalities' asset registers, provided that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.29.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. Management referred to the following when making assumptions regarding useful lives of intangible assets:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful lives.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

1.29.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful lives of buildings.
- The Municipality also consulted with engineers and valuers to support the useful lives of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.29.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.29.7 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.29.8 Provision for Staff Leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.28.9 Revenue Recognition

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.29.10 Prepaid Electricity Estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using 5 days' worth of unused electricity.

1.30 TAXES - VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.31 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.32 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
2 NET ASSET RESERVES		
Capital Replacement Reserve	4 545 000	4 392 000
Total Net Asset Reserves	<u>4 545 000</u>	<u>4 392 000</u>
3 LONG-TERM BORROWINGS		
Annuity loans at amortised cost	24 028 863	25 864 058
Current Portion transferred to Current Liabilities	<u>(4 962 463)</u>	<u>(4 201 292)</u>
Total Long-Term Liabilities at amortised cost using the effective interest rate method	<u>19 066 400</u>	<u>21 662 766</u>
3.1 The obligations under the annuity loans are scheduled as follows:		
Payable within one year	6 486 503	7 094 747
Payable within two to five years	16 496 403	17 544 195
Payable after five years	<u>11 701 045</u>	<u>16 462 774</u>
	34 683 951	41 101 716
Less: Future finance obligations	<u>(10 655 088)</u>	<u>(15 164 082)</u>
Present value of annuity obligations	<u>24 028 863</u>	<u>25 937 634</u>
Annuity loans at amortised cost is calculated at an interest rate of 5.7% and 11.14%, with the first maturity date of 30 June 2019 and a last maturity date of 30 June 2028.		
4 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill Sites	62 314 975	57 801 084
Total Non-Current Provisions	<u>62 314 975</u>	<u>57 801 084</u>
4.1 Landfil Sites		
Balance 1 July 2017	57 801 085	55 951 967
Change in provision for rehabilitation cost	1 874 593	93 736
Interest cost	<u>2 639 298</u>	<u>1 755 382</u>
Total provision 30 June 2018	<u>62 314 976</u>	<u>57 801 085</u>
Less: Transfer of Current portion to Current Provisions	-	-
Balance 30 June 2018	<u>62 314 976</u>	<u>57 801 085</u>

The estimated rehabilitation cost for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Klawer	Vanrhynsdorp	Vredendal	Lutzville	Strandfontein	Doringbaai
Rehabilitation Area(m2)	11 594	25 641	50 387	37 327	7 716	10 673
Preliminary and General	416 432	1 225 217	933 146	767 610	220 143	266 382
Site Clearance (R)	34 202	75 641	148 642	110 115	22 762	31 485
Storm Water Control (R)	1 073 914	1 449 043	1 994 056	2 106 656	811 568	808 790
Capping (R)	814 618	6 902 707	3 540 291	2 622 670	542 142	749 906
Leachate Management	234 846	314 791	438 950	634 122	186 612	303 179
Fencing	816 937	9 367	543 389	9 367	9 367	9 367
Other (R)	429 399	872 637	520 832	501 581	497 480	408 879
Contingencies (R)	339 095	997 677	759 847	625 054	179 259	216 911
Engineering (R)	279 753	823 083	626 874	515 669	147 889	178 951
Site Supervision (R)	339 976	899 268	597 701	561 377	392 533	396 496
Total (Excl VAT)	4 779 174	13 569 430	10 103 729	8 454 219	3 009 755	3 370 346
Rehab cost/m2	421	529	201	226	390	316
Estimated construction period(weeks)	12	16	20	18	12	12

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Bitterfontein	Kliprand	Rietpoort	Nuwerus	Ebenhaeser	Koekenaap
Rehabilitation Area(m2)	4 658	1 818	796	3 276	3 918	5 044
Preliminary and General	294 175	154 338	102 543	135 612	228 275	451 745
Site Clearance (R)	13 741	5 363	2 348	9 664	11 558	14 880
Storm Water Control (R)	654 009	501 559	304 718	582 412	729 069	930 615
Capping (R)	1 266 104	475 437	55 929	230 178	275 287	1 365 367
Leachate Management	158 028	110 687	84 783	137 037	143 737	214 302
Fencing	9 367	9 367	284 672	9 367	470 882	701 585
Other (R)	464 919	530 102	409 108	508 029	419 313	420 863
Contingencies (R)	239 542	125 675	83 499	110 427	185 881	367 849
Engineering (R)	197 622	103 682	68 887	91 102	153 352	303 476
Site Supervision (R)	736 973	671 927	362 370	297 489	469 730	577 765
Total (Excl VAT)	4 034 480	2 688 137	1 758 857	2 111 317	3 087 083	5 348 448

Rehab cost/m2	866	1 433	2 210	644	788	1 060
Estimated construction period(weeks)	12	8	9	8	8	10

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

Location	Date	2018 R	2017 R
Klawer	30/03/2024	4 779 174	4 341 055
Vanrhynsdorp	30/06/2024	13 569 430	13 008 863
Vredendal	31/03/2024	10 103 729	9 891 324
Lutzville	21/04/2024	8 454 219	6 682 683
Strandfontein	26/05/2024	3 009 755	2 984 634
Dooringbaai	31/03/2024	3 370 346	3 217 621
Bitterfontein	27/05/2024	4 034 480	3 789 173
Kliprand	27/08/2024	2 688 137	2 565 181
Rietpoort	21/04/2024	1 758 857	1 645 782
Nuwerus	19/06/2024	2 111 317	2 039 769
Ebenhaeser	19/05/2024	3 087 083	2 789 394
Koekenaap	07/11/2024	5 348 448	4 845 607
		62 314 975	57 801 087

5 NON-CURRENT EMPLOYEE BENEFITS

Post Retirement Benefits - note 5.1	27 143 107	25 873 624
Long Service Awards - note 5.2	5 392 669	4 797 865
Total Non-current Employee Benefit Liabilities	32 535 776	30 671 489

Post Retirement Benefits

Balance 1 July	27 087 934	26 716 017
Current Service Cost	1 174 412	1 394 757
Interest Cost	2 520 238	2 439 510
Contributions (Benefits paid)	(1 212 083)	(1 085 504)
Actuarial Gain	(1 033 873)	(2 376 846)
Total post retirement benefits 30 June	28 536 628	27 087 934

Less: Transfer of Current Provision - note 7	(1 393 521)	(1 214 310)
Balance 30 June	27 143 107	25 873 624

Long Service Awards

Balance 1 July	5 217 409	5 446 453
Current Service Cost	479 975	520 654
Interest Cost	434 150	465 775
Benefits Vesting	(378 525)	(325 605)
Actuarial Loss / (Gain)	78 940	(889 868)
Total long service awards 30 June	5 831 949	5 217 409

Less: Transfer of Current Provision - note 7	(439 280)	(419 544)
Balance 30 June	5 392 669	4 797 865

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Balance 1 July	32 305 343	32 162 470
Current Service Cost	1 654 387	1 915 411
Interest Cost	2 954 388	2 905 285
Contributions (Benefits paid/ Vesting)	(1 590 608)	(1 411 109)
Actuarial Loss / (Gain)	(954 933)	(3 266 714)
Total employee benefits 30 June	34 368 577	32 305 343
Less: Transfer of Current Provision - note 7	(1 832 801)	(1 633 854)
Balance 30 June	32 535 776	30 671 489

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 654 387	1 915 411
Interest Cost - note 34	2 954 388	2 905 285
Actuarial (gains)/losses	(954 933)	(3 266 714)
Total expenditure recognised in the Statement of Financial Performance	3 653 842	1 553 982

5.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan of which the members are made up as follows:

In-service (employee) members	113	111
In-service (employee) non-members	60	54
Continuation members (e.g. Retirees, widows, orphans)	33	31
Total Members	206	196

	2018 R	2017 R	2016 R	2015 R	2014 R
The liability in respect of past service has been estimated to be as follows:					
In-service members	10 530 407	10 844 723	11 423 790	9 216 529	7 561 057
In-service non-members	2 122 331	1 963 351	1 770 364	2 482 585	2 794 297
Continuation members	15 883 890	14 279 860	13 521 863	13 148 779	10 697 865
Total Liability	28 536 628	27 087 934	26 716 017	24 847 893	21 053 219

History of experience adjustments were calculated as follows:

Liabilities: (Gain)/ Loss	754 000	833 000	64 000	1 838 000	361 000
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The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas, LA Health, Samwumed, Keyhealth and Hosmed

Key actuarial assumptions used:

	2018	2017
i Rate of interest		
Discount rate	9.45%	9.51%
Health Care Cost Inflation Rate	7.31%	7.81%
Net Effective Discount Rate	1.99%	1.58%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii Mortality rates

Mortality during employment - SA 85-90

Mortality post-retirement - PA90-1

iii Normal retirement age

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill-health retirement.

iv Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

v Expected rate of salary increases

2018/2019 - average CPI (Feb 2017 – Jan 2018) + 1 per cent

2019/2020 - average CPI (Feb 2018 – Jan 2019) + 1 per cent

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	28 536 628	27 087 934
Total Liability	28 536 628	27 087 934

The Fund is wholly unfunded. The Municipality recognises the full increase in this defined benefit liability immediately as per GRAP 25, Employee Benefits.

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost - note 29	1 174 412	1 394 757
Interest Cost	2 520 238	2 439 510
Actuarial Gains	(1 033 873)	(2 376 846)
Total expenditure recognised in the Statement of Financial Performance	2 660 777	1 457 421

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	27 087 934	26 716 017
Total expenses	2 482 567	2 748 763
Current service cost	1 174 412	1 394 757
Interest Cost	2 520 238	2 439 510
Contributions (Benefits Paid)	(1 212 083)	(1 085 504)
Actuarial Gains	(1 033 873)	(2 376 846)
Present value of fund obligation at the end of the year	28 536 628	27 087 934
Less: Transfer of Current Portion - note 7	(1 393 521)	(1 214 310)
Balance 30 June	27 143 107	25 873 624

Contributions or benefits paid refer to medical scheme contributions made by the Municipality with respect to its subsidy of current continuation members.

Sensitivity Analysis on the Accrued Liability

		In-service members liability R	Continuation members liability R	Total Liability R	
Central Assumptions		12 652 738	15 883 890	28 536 628	
The effect of movements in the assumptions are as follows:					
	Change	In-service members liability R	Continuation members liability R	Total Liability R	Change %
Health care inflation	+1%	15 527 000	17 330 000	32 857 000	15%
Health care inflation	-1%	10 404 000	14 617 000	25 021 000	(12%)
Discount rate	+1%	10 461 000	14 650 000	25 111 000	(12%)
Discount rate	-1%	15 492 000	17 314 000	32 806 000	15%
Post-retirement mortality	-1 year	13 075 000	16 516 000	29 591 000	4%
Average retirement age	-1 year	13 788 000	15 884 000	29 672 000	4%
Continuation of membership at retirement	10%	11 035 000	15 884 000	26 919 000	(6%)

Sensitivity Analysis on the Current-Service and Interest Cost

Assumption	Change	Current Service Cost R	Interest Cost R	Total R	Change %
Central Assumptions		1 117 600	2 632 400	3 750 000	
Health care inflation	+1%	1 408 800	3 040 300	4 449 100	19%
Health care inflation	-1%	894 200	2 300 400	3 194 600	(15%)
Discount rate	+1%	907 900	2 553 200	3 461 100	(8%)
Discount rate	-1%	1 392 500	2 714 500	4 107 000	10%
Post-retirement mortality	-1 year	1 154 700	2 731 900	3 886 600	4%
Average retirement age	-1 year	1 205 800	2 739 600	3 945 400	5%
Continuation of membership at retirement	10%	979 300	2 479 500	3 458 800	(8%)

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

History of Liabilities

	2018 R	2017 R	2016 R	2015 R	2014 R
Accrued Liability	28 536 628	27 087 934	26 716 017	24 847 893	21 053 000
Fair value of plan assets	-	-	-	-	-
Surplus	28 536 628	27 087 934	26 716 017	24 847 893	21 053 000

Best estimate of benefit payments expected in the next annual period

	2019 R	2020 R
Present value of fund obligation at the beginning of the year	28 536 628	30 893 108
Total expenses	2 356 480	2 578 214
Current service cost	1 117 647	1 223 265
Interest Cost	2 632 354	2 850 336
Benefits Paid	(1 393 521)	(1 495 387)
Present value of fund obligation at the end of the year	30 893 108	33 471 322

5.2 Long Service Awards

The Long Service Awards plans are defined benefit plans.

	2018 Employees	2017 Employees
As at year end, the following number of employees were eligible for Long Service Awards.	409	390

Key actuarial assumptions used:

	2018 %	2017 %
i Rate of interest		
Discount rate	8.73%	8.66%
General Salary Inflation (long term)	6.29%	6.49%
Net Effective Discount Rate applied to salary-related Long Service Awards	2.30%	2.04%

ii Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

	2018 R	2017 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	5 831 949	5 217 409
Total Liability	5 831 949	5 217 409

The fund is wholly unfunded.

The amounts recognised in the Statement of Financial Performance are as follows:

	2018	2017
Current service cost - note 30	479 975	520 654
Interest Cost	434 150	465 775
Actuarial (gains)/losses	78 940	(889 868)
Total expenditure recognised in the Statement of Financial Performance	993 065	96 561

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	5 217 409	5 446 409
Total expenses	535 600	-90 153
Current service cost	479 975	520 654
Interest Cost	434 150	465 775
Benefits Vesting	(378 525)	(1 076 582)
Actuarial (gains)/losses	78 940	(138 847)
Present value of fund obligation at the end of the year	5 831 949	5 217 409
Less: Transfer of Current Portion - note 7	(439 280)	(419 544)
Balance 30 June	5 392 669	4 797 865

Sensitivity Analysis on the Accrued Liability

Assumption	Change	Total Liability R	Change %
Central Assumptions		5 832 000	
Health care inflation	+1%	6 289 000	8%
Health care inflation	-1%	5 424 000	-7%
Discount rate	+1%	5 411 000	-7%
Discount rate	-1%	6 312 000	8%
Post-retirement mortality	-2 year	5 247 000	-10%
Average retirement age	+2 year	6 442 000	10%
Continuation of membership at retirement	-50%	6 891 000	18%

Sensitivity Analysis on the Current-Service and Interest Cost

Assumption	Change	Current Service Cost R	Interest Cost R	Total R	Change %
Central Assumptions		480 000	434 200	914 200	
Health care inflation	+1%	526 400	470 800	997 200	9%
Health care inflation	-1%	439 200	401 500	840 700	-8%
Discount rate	+1%	442 300	446 700	889 000	-3%
Discount rate	-1%	523 500	418 000	941 500	3%
Post-retirement mortality	-2 year	436 300	389 600	825 900	-10%
Average retirement age	+2 year	528 000	485 700	1 013 700	11%
Continuation of membership at retirement	-50%	622 100	521 700	1 143 800	25%

History of Liabilities

	2018 R	2017 R	2016 R	2015 R	2014 R
Accrued Liability	5 831 949	5 217 409	5 446 453	4 695 477	4 426 598
Fair value of plan assets	-	-	-	-	-
Surplus	5 831 949	5 217 409	5 446 453	4 695 477	4 426 598

Best estimate of benefit payments expected in the next annual period

	2019 R	2020 R
Present value of fund obligation at the beginning of the year	5 831 949	6 413 245
Total expenses	581 296	245 756
Current service cost	530 220	576 508
Interest Cost	490 356	523 374
Benefits Vesting	(439 280)	(854 126)
Present value of fund obligation at the end of the year	<u>6 413 245</u>	<u>6 659 001</u>

5.3 Retirement Funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined by GRAP 25.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

5.3 Retirement Funds (Continue)

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Pension Fund and Cape Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.

Cape Joint Pension Fund

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a funding level of 101.7% (30 June 2013 - 99.2%).

	2018 R	2017 R
Contributions paid recognised in the Statement of Financial Performance	31 262	29 119

Cape Retirement Fund

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in sound financial position with a funding level of 153.1% (30 June 2015 - 153.1%).

Contributions paid recognised in the Statement of Financial Performance	10 239 803	9 602 461
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Defined Contribution Funds

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance	948 929	940 483
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6 CONSUMER DEPOSITS

Water and Electricity	4 731 743	4 451 963
Total Consumer Deposits	4 731 743	4 451 963

7 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - note 5	1 393 521	1 214 310
Current Portion of Long-Service Provisions - note 5	439 280	419 544
Staff Leave	6 560 550	5 595 781
Staff Bonuses	2 870 725	2 611 332
Pension	33 979	33 979
Total Current Employee Benefits	11 298 055	9 874 946

The movement in current employee benefits are reconciled as follows:

7.1 Staff Leave

Balance at beginning of year	5 595 781	4 939 364
Contribution to current portion	1 776 746	1 271 542
Expenditure incurred	(811 977)	(615 124)
Balance at end of year	6 560 550	5 595 781

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. The provision will be realised as employees take leave. There is no possibility of reimbursement.

7.2 Bonusses Accrued

Balance at beginning of year	2 611 332	2 417 488
Contribution to current portion	5 950 770	5 294 107
Expenditure incurred	(5 691 377)	(5 100 263)
Balance at end of year	2 870 725	2 611 332

Bonuses are being paid to all municipal staff. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
7.3 Pension		
Balance at beginning of year	33 979	34 517
Contribution to current portion	-	-
Expenditure incurred	-	(538)
Balance at end of year	33 979	33 979
Pension payments to staff who did not belong to a pension fund in 1994, according to a formula prescribed by a collective agreement. Payment of the amount will occur when the respective employees retire. There is no possibility of reimbursement.		
8 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	28 838 388	2 749
Sundry Creditors	2 983 102	3 634 929
Payments received in advance	3 155 794	2 047 229
Retentions	1 834 794	1 677 976
Total Trade Payables	36 812 078	7 362 883
Payables are recognised net of any discounts.		
Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary. All payables are unsecured.		
Sundry creditors include sundry deposits for halls, builders and housing deposits.		
The municipality is in a position to settle its financial obligations as and when they become due in the normal course of business		
9 UNSPENT TRANSFERS AND SUBSIDIES		
Unspent Provincial Government Grants	22 699 967	1 659 812
Unpaid National Government Grants	-	(810 154)
Total Unspent Transfers and Subsidies	22 699 967	849 658
Refer to note 21 for a detail reconciliation of grants.		
Unspent grants can mainly be ascribed to project work in progress at the end of relevant financial years.		
10 VALUE ADDED TAXATION		
10.1 VAT PAYABLE		
VAT Output in suspense	7 271 494	4 130 114
Less: Contribution to Provision for Doubtful Debts	(3 502 392)	(3 461 896)
Total VAT Payable	3 769 103	668 218
10.2 VAT RECEIVABLE		
VAT Input in suspense	5 483 683	1 106 197
Total VAT Receivable	5 483 683	1 106 197
10.3 Net VAT Receivable	1 714 580	437 979
VAT is payable on the receipt basis. VAT is paid over to SARS when payment is received from debtors.		

MATZIKAMA MUNICIPALITY

11. PROPERTY, PLANT AND EQUIPMENT

Cost Price	719 263 023	679 285 313
Accumulated Depreciation	(146 430 438)	(132 041 664)
Carrying value	<u>572 832 585</u>	<u>547 243 648</u>

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
12. INVESTMENT PROPERTY		
Net Carrying amount at 1 July	67 691 582	68 841 582
Disposals - current year	(718 000)	(1 150 000)
Carrying amount at 30 June	66 973 582	67 691 582
Revenue derived from the rental of investment property	2 121 750	2 175 555
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal for inspection at the registered office of the Municipality. There are no contractual obligation to purchase, construct		
13. INTANGIBLE ASSETS		
Computer Software and Rights		
Net Carrying amount at 1 July	212 200	247 343
Cost	547 669	547 669
Accumulated Amortisation	(335 469)	(300 325)
Additions	500 429	
Amortisation	(50 874)	(35 143)
Net Carrying amount at 30 June	661 755	212 200
Cost	1 048 098	547 669
Accumulated Amortisation	(386 343)	(335 469)
Computer Software were assets to have a life span of 15 years, Rights has an indefinite life span. There are no internally generated intangible assets at reporting date. There are no intangible assets whose title is restricted. There are no intangible assets pledged as security for liabilities There are no contractual commitments for the acquisition of intangible assets.		
14. LONG TERM RECEIVABLES		
Receivables with repayment arrangements at amortised cost	721 399	657 222
Less: Provision for Debt Impairment	(360 699)	(325 242)
Less: Current portion transferred to current receivables	(240 466)	(253 380)
Total Long Term Receivables	120 233	78 599
The provision for Debt Impairment could be allocated to the different classes of Long-Term Receivables as follows:		
Reconciliation of Provision for Debt Impairment		
Balance at beginning of year	325 242	458 366
Contribution to provision	35 457	(133 124)
Balance at end of year	360 699	325 242
Receivables subject to repayment arrangements are debtors which are repaying their outstanding consumers accounts over a period of more than 12 months. There are no standard repayment terms, therefore no age analysis is available for long term receivables.		
15. INVENTORY		
Consumable Stores - at cost	120 875	8 990
Water - at purification cost	470 435	435 350
Graves - at nett realisable value	103 509	46 200
Total Inventory	694 819	490 540
Inventories recognised as an expense during the year:		
Consumables	5 107 247	7 565 004
Materials and supplies	3 421 950	-
Total Inventory recognised as an expense	8 529 196	7 565 004
No inventories were pledged as security for liabilities		

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service Receivables	59 470 266	52 625 401
Electricity	8 237 704	8 422 423
Water	6 999 391	7 125 404
Waste Management	10 599 536	8 568 251
Waste Water Management	9 946 161	8 975 418
Other Arrears	23 687 475	19 533 905
Other Receivables		
Sundry Receivables	-	104 448
Total: Receivables from exchange transactions (before provision)	59 470 266	52 729 849
Less: Provision for doubtful debts	(40 371 776)	(38 360 202)
Total: Receivables from exchange transactions (after provision)	19 098 490	14 369 646
<p>Consumer debtors are receivable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.</p> <p>Receivables to an amount of R4 million are pledged as security for financial liabilities.</p> <p>Other arrears include accounts handed over for collection, pensioners medical aid receivables and other non-service charges.</p>		
Electricity: Ageing		
Current (0 - 30 days)	5 165 597	5 411 051
31 - 60 Days	1 070 793	1 764 510
61 - 90 Days	438 236	321 111
+ 90 Days	1 563 079	925 751
Total	8 237 704	8 422 423
Water: Ageing		
Current (0 - 30 days)	822 673	1 088 716
31 - 60 Days	390 545	569 678
61 - 90 Days	396 584	335 447
+ 90 Days	5 389 589	5 131 563
Total	6 999 391	7 125 404
Waste Management: Ageing		
Current (0 - 30 days)	1 177 363	1 160 701
31 - 60 Days	662 866	625 965
61 - 90 Days	503 616	426 419
+ 90 Days	8 255 691	6 355 165
Total	10 599 536	8 568 251
Waste Water Management: Ageing		
Current (0 - 30 days)	1 140 405	1 273 069
31 - 60 Days	655 461	668 452
61 - 90 Days	527 329	467 859
+ 90 Days	7 622 967	6 566 039
Total	9 946 161	8 975 419
Other: Ageing		
Current (0 - 30 days)	1 880 976	1 446 289
31 - 60 Days	563 894	889 508
61 - 90 Days	391 076	628 265
+ 90 Days	20 851 529	16 569 843
Total	23 687 475	19 533 905
Total: Ageing		
Current (0 - 30 days)	10 187 013	10 366 949
31 - 60 Days	3 343 558	4 514 166
61 - 90 Days	2 256 840	2 175 553
+ 90 Days	43 682 855	35 487 930
Total	59 470 266	52 544 598

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Service Receivables Balances past due not impaired: (Ageing)

31 - 60 Days

61 - 90 Days

+ 90 Days

Total

2018 R	2017 R
2 522 402	3 068 994
1 709 281	891 977
1 600 757	904 472
5 832 439	4 865 443

Summary of Debtors by Customer Classification

30 June 2018

	Residential R	Industrial/ Commercial R	National and Provincial Government R
Current (0 - 30 days)	6 387 207	2 904 868	894 938
31 - 60 Days	2 534 541	748 741	60 276
61 - 90 Days	1 971 514	273 388	11 937
+ 90 Days	42 661 511	888 001	133 344
Sub-total	53 554 773	4 814 998	1 100 495
Less: Provision for doubtful debts	(39 028 078)	(1 098 339)	(204 851)
Total debtors by customer classification	14 526 695	3 716 659	895 644

Summary of Debtors by Customer Classification

30 June 2017

	Residential R	Industrial/ Commercial R	National and Provincial Government R
Current (0 - 30 days)	5 105 580	4 227 803	1 046 445
31 - 60 Days	2 662 179	1 189 988	665 945
61 - 90 Days	1 921 069	228 007	30 025
+ 90 Days	34 558 606	870 455	119 299
Sub-total	44 247 434	6 516 252	1 861 714
Less: Provision for doubtful debts	(37 109 385)	(1 035 962)	(214 855)
Total debtors by customer classification	7 138 050	5 480 291	1 646 858

Reconciliation of Provision for Debt Impairment

Balance at beginning of year

Contribution to provision - Exchange Transactions

Contribution to provision - Non Exchange Transactions

Bad Debts Written Off

Balance at end of year

2018 R	2017 R
47 168 753	43 523 525
5 956 365	9 431 094
8 782 165	3 938 950
(4 303 804)	(9 724 816)
57 603 478	47 168 753
40 371 763	38 360 202
16 871 015	9 026 656
360 699	325 242
57 603 478	47 712 100

Receivables from Exchange Transactions - Note 48

Receivables from Non-Exchange Transactions - Note 48

Long term receivables - Note 48

17. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Taxes - Rates

Fines

Other Receivables

Less: Provision for doubtful debts

Total Receivables from non-exchange transactions

13 301 683	8 548 057
8 530 670	3 798 587
1 794 375	1 616 362
23 626 728	13 963 006
(16 871 015)	(8 483 312)
6 755 713	5 479 694

Rates: Ageing

Current (0 - 30 days)

31 - 60 Days

61 - 90 Days

+ 90 Days

Total

2 774 494	2 446 286
953 054	669 679
568 190	327 169
9 005 945	5 104 924
13 301 683	8 548 057

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Rates Balances past due not impaired: (Ageing)

31 - 60 Days

61 - 90 Days

+ 90 Days

Total

2018

R

834 715

503 004

380 957

1 718 676

2017

R

518 497

190 806

328 923

1 038 226

Summary of Debtors by Customer Classification

30 June 2018

Current (0 - 30 days)

31 - 60 Days

61 - 90 Days

+ 90 Days

Sub-total

Less: Provision for doubtful debts

Total debtors by customer classification

Residential	Industrial/ Commercial	National and Provincial Government
R	R	R
2 357 605	407 336	9 553
852 341	83 661	17 052
525 895	31 196	11 098
5 703 763	140 177	3 162 005
9 439 604	662 370	3 199 708
(5 787 075)	(181 069)	(3 157 646)
3 652 530	481 302	42 062

Summary of Debtors by Customer Classification

30 June 2017

Current (0 - 30 days)

31 - 60 Days

61 - 90 Days

+ 90 Days

Sub-total

Less: Provision for doubtful debts

Total debtors by customer classification

Residential	Industrial/ Commercial	National and Provincial Government
R	R	R
1 914 371	525 017	6 898
552 735	110 046	6 898
297 813	22 458	6 898
3 131 443	112 783	1 860 697
5 896 362	770 304	1 881 391
(3 376 143)	(130 612)	(1 691 036)
2 520 219	639 692	190 355

18. OPERATING LEASE ASSET

The Municipality as Lessor (Asset)

Balance on 1 July

Movement during the year

Balance on 30 June

2018

R

81 591

5 972

87 563

2017

R

82 341

(751)

81 591

At the Statement of Financial Position date, where the Municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year

1 to 5 Years

More than 5 Years

Total Operating Lease Arrangements

107 585

353 959

103 325

564 869

100 229

372 482

192 387

665 098

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The Municipality is leasing land and buildings to different rate payers for periods ranging from 36 to 120 months with escalations of between 3% and 10% per year.

The leases are in respect of land and buildings being leased out for previous ranging until 2019.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
19. CASH AND CASH EQUIVALENTS		
Assets		
Current Accounts	44 571 095	11 493 956
Call Investment deposits	1 875 902	1 752 093
Cash Floats	5 620	5 570
Total Cash and Cash Equivalents - Assets	46 452 617	13 251 619
Liabilities		
Current Accounts	-	(9 135 563)
Total Cash and Cash Equivalents - Liabilities	-	(9 135 563)
Net Balance	46 452 617	4 116 056
Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
The Municipality has the following bank accounts:		
Current Accounts		
ABSA Bank - Account Number 40-5057-5029	8 372 301	(8 955 608)
ABSA Bank - Account Number 40-7513-2844	19 075 881	3 963 222
ABSA Bank - Account Number 40-7512-9982	8 272 813	4 060 792
ABSA Bank - Account Number 40-7554-5657	3 596 664	2 187 669
ABSA Bank - Account Number 40-9041-7837	5 239 358	1 088 791
ABSA Bank - Account Number 40-7670-7628	-	13 526
ABSA Bank - Account Number 40-9308-1405	14 079	-
	44 571 095	2 358 392
Call Deposits and Investments		
Investec	1 875 902	1 752 093
Details of current accounts are as follow:		
ABSA Bank - Account Number 40-5057-5029		
Cash book balance at beginning of year	(8 955 608)	6 551 056
Cash book balance at end of year	8 372 301	(8 955 608)
Bank statement balance at beginning of year	6 079 890	6 267 852
Bank statement balance at end of year	8 137 316	6 079 890
ABSA Bank - Account Number 40-7513-2844		
Cash book balance at beginning of year	3 963 222	730 915
Cash book balance at end of year	19 075 881	3 963 222
Bank statement balance at beginning of year	3 963 222	730 915
Bank statement balance at end of year	19 075 881	3 963 222
ABSA Bank - Account Number 40-7512-9982		
Cash book balance at beginning of year	4 060 792	941 668
Cash book balance at end of year	8 272 813	4 060 792
Bank statement balance at beginning of year	4 060 792	941 668
Bank statement balance at end of year	8 272 813	4 060 792
ABSA Bank - Account Number 40-7554-5657		
Cash book balance at beginning of year	2 187 669	633 158
Cash book balance at end of year	3 596 664	2 187 669
Bank statement balance at beginning of year	2 187 669	633 158
Bank statement balance at end of year	3 596 664	2 187 669
ABSA Bank - Account Number 40-7670-7628		
Cash book balance at beginning of year	-	13 526
Cash book balance at end of year	-	13 526
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
ABSA Bank - Account Number 40-9041-7837		
Cash book balance at beginning of year	1 088 791	-
Cash book balance at end of year	<u>5 239 358</u>	<u>1 088 791</u>
Bank statement balance at beginning of year	2 188 405	-
Bank statement balance at end of year	<u>5 239 358</u>	<u>2 188 405</u>
ABSA Bank - Account Number 40-9308-1405		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>14 079</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>14 079</u>	<u>-</u>
20. PROPERTY RATES		
Actual		
Rateable Land and Buildings		
Business and Commercial Property	921 624	5 810 019
Industrial Property	1 825 948	2 006 767
Public Service Infrastructure Properties	145 499	94 157
Residential Properties	30 179 756	21 189 844
Small Holdings	118 365	656 755
State-owned Properties	5 043 250	5 129 063
Agricultural Properties	<u>7 027 437</u>	<u>8 208 244</u>
Total Assessment Rates	45 261 879	43 094 849
Less: Revenue Foregone	(535 172)	(564 371)
Total Property Rates	<u>44 726 706</u>	<u>42 530 478</u>
Valuations - 1 July 2016		
Rateable Land and Buildings		
Domestic	4 196 500	2 959 784 700
Business and Commercial Property	-	811 229 000
Church	-	-
Light Industrial	-	173 650 500
Agricultural/Rural	-	4 123 532 400
State-owned Properties	-	516 071 500
Other - Pensioners etc.	-	22 569 500
Total Assessment Rates	<u>4 196 500</u>	<u>8 606 837 600</u>
Rates:		
Residential	0.008510 c/R	0.007998 c/R
Commercial	0.010894 c/R	0.010239 c/R
Agricultural (2010 - less 65% rebate)	0.001702 c/R	0.001600 c/R
DMA Agricultural	0.000598 c/R	0.000552 c/R

Assessment Rates are levied on the value of land and improvements. The last valuation came into effect on 1 July 2016, and the next one will be implemented 1 July 2021. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September.

Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
21. GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants		
Equitable Share	47 561 000	44 100 000
Conditional Grants	47 350 850	35 234 043
Department of Mineral Resources	2 189 846	3 810 154
FMG	1 550 000	1 475 000
MIG	21 614 000	20 337 000
Municipal Water Infrastructure Grant	10 000 000	-
EPWP	1 406 000	1 119 000
CDW's	111 000	113 000
Library Services	6 246 000	6 226 000
FMSG	530 000	892 744
Public Transport Infrastructure	65 000	64 000
Municipal Capacity Building Grant	178 205	62 100
Municipal Service Delivery and Capacity Building Grant	680 056	837 086
WC Financial Support for IDP related Projects	-	137 959
Thusong services centres operational grant	65 000	100 000
Local Governmet Graduate Internship Grant	-	60 000
Municipal Drought Relief Grant	1 437 897	-
Municipal Disaster Recovery Grant	549 228	-
Human Settlements	562 486	-
Transport, Education and Training SETA	166 132	-
Total Government Grants and Subsidies	94 911 850	79 334 043
Government Grants and Subsidies - Capital	35 858 386	24 701 743
Government Grants and Subsidies - Operating	59 053 464	54 632 300
	94 911 850	79 334 043
Expenditure per vote as required by Section 123 (c) of the MFMA		
Vote 1 - Executive & Council	223 070	-
Vote 2 - Finance	2 080 000	2 427 744
Vote 3 - Corporate	457 523	6 013 819
Vote 4 - Community Development	9 730 586	2 552 088
Vote 5 - Infrastructure Services	34 859 670	24 240 391
Total Expenditure per vote	47 350 850	35 234 043
Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the ensuing 3 financial years.		
21.1 Equitable share		
Opening balance	-	-
Grants received	47 561 000	44 100 000
Operating	(47 561 000)	(44 100 000)
Closing balance	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
21.2 Department of Mineral Resources		
Opening balance	(810 154)	-
Grants received	3 000 000	3 000 000
Conditions met - Operating	-	(181 260)
Conditions met - Capital	(2 189 846)	(3 628 894)
Conditions still to be met/(Grant Expenditure to be recovered)	-	-
Closing balance	-	(810 154)

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
21.3 Local Government Financial Management Grant (FMG)		
Opening balance	-	-
Grants received	1 550 000	1 475 000
Conditions met - Operating	(1 550 000)	(1 475 000)
Closing balance	<u>-</u>	<u>-</u>
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG also fund the cost of the Financial Management Internship Programme.		
21.4 Municipal Infrastructure Grant (MIG)		
Opening balance	-	-
Grants received	21 614 000	20 337 000
Conditions met - Capital	(21 614 000)	(20 337 000)
Closing balance	<u>-</u>	<u>-</u>
The grant was used to upgrade infrastructure in previously disadvantaged areas.		
21.5 Housing Grants		
Opening balance	898 000	-
Grants received	3 696 753	898 000
Conditions met - Operating	(562 486)	-
Conditions still to be met/(Grant Expenditure to be recovered)	<u>4 032 267</u>	<u>898 000</u>
Housing grants was utilised for the development of erven and the erection of top structures.		
21.6 Other Grants		
Opening balance	761 814	810 703
Grants received	38 055 132	10 461 000
Conditions met - Operating	(7 973 978)	(8 876 040)
Conditions met - Capital	(12 054 540)	(735 849)
Conditions still to be met/(Grant Expenditure to be recovered)	<u>18 788 428</u>	<u>1 659 814</u>
21.7 Total Grants		
Opening balance	849 660	810 701
Grants received	116 882 885	79 373 000
Conditions met - Operating	(59 053 465)	(54 632 300)
Conditions met - Capital	(35 858 386)	(24 701 743)
Repaid to Provincial Treasury	(120 727)	
Conditions still to be met/(Grant expenditure to be recovered)	<u>22 699 967</u>	<u>849 658</u>
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	22 699 967	1 659 812
Unpaid Conditional Government Grants and Receipts	-	(810 154)
	<u>22 699 967</u>	<u>849 658</u>
22. SERVICE CHARGES		
Electricity	100 072 268	102 379 275
Service Charges	100 195 836	102 736 611
Less: Revenue foregone	(123 568)	(357 336)
Water	11 015 989	16 951 510
Service Charges	11 270 167	17 267 980
Less: Revenue foregone	(254 178)	(316 470)
Refuse removal	14 941 304	14 281 221
Service Charges	19 215 504	18 282 679
Less: Revenue foregone	(4 274 200)	(4 001 458)
Sewerage and Sanitation Charges	14 251 530	13 740 219
Service Charges	19 304 490	18 446 814
Less: Revenue foregone	(5 052 960)	(4 706 595)
Total Service Charges	<u>140 281 091</u>	<u>147 352 224</u>

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
23. SALES OF GOODS AND RENDERING OF SERVICES		
Advertising	26 531	31 272
Application Fees - Town Planning	51 335	61 895
Building Plan Fees	202 429	276 476
Cemetery	256 742	287 073
Cemetery Digging	-	1 350
Encroachments	8 402	30 609
Housing Redeemed	13 960	75 543
Insurance Claims	58 849	132 026
Photocopies	34 046	29 098
Roadworthy Certificates	709 877	716 885
Subscription Fees	246	3 244
Sundry Income - Finance	946 077	1 072 840
Valuation Certificates	156 317	115 321
Other revenue	222 741	633 328
Telephone	44 251	39 803
Total Other Income	2 731 805	3 506 765
24. CONTRIBUTING PROPERTY PLANT AND EQUIPMENT		
Contribution Property Plant and Equipment	7 761	18 322 928
Total Contributing Property, Plant and Equipment	7 761	18 322 928
Department of Land Reforms and Department of Housing contributed towards the construction of infrastructure assets		
25. RENTAL FROM FIXED ASSETS		
Investment Property	2 121 750	2 175 555
Other rentals	1 596 652	1 445 291
Total Rental from Fixed Assets	3 718 402	3 620 846
26. INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	2 497 636	1 700 714
Total Interest Earned-External Investments	2 497 636	1 700 714
27. INTEREST EARNED-OUTSTANDING RECEIVABLES		
Trade Receivables	2 834 827	3 161 708
Total Interest Earned-Outstanding Receivables	2 834 827	3 161 708
28. AGENCY SERVICES		
Agency services	3 284 970	2 740 169
Total Agency Services	3 284 970	2 740 169
Agency services consists of motor vehicle registration and licensing agency fees		
29. EMPLOYEE RELATED COSTS		
Bonuses	5 950 770	5 294 107
Contributions for UIF, pensions and medical aids	16 323 851	15 073 436
Housing Subsidy	200 553	139 496
Overtime	5 471 967	4 340 933
Protective Clothing	638 370	571 524
Salaries and Wages	71 074 346	68 438 340
Skills Development Levy and Training	948 781	563 156
Travel, motor car, telephone, assistance and other allowances	8 802 789	4 540 430
Provision for Staff Leave	1 776 746	1 271 542
Contribution to provision - Post Retirement Medical - Note 5	1 174 412	1 394 757
Contribution to provision - Long Service Awards - Note 5	558 915	520 654
Total Employee Related Costs	112 921 500	102 148 374

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
29.1 KEY MANAGEMENT PERSONNEL		
The Municipal Manager is appointed on a 5 year fixed contract. There are no post-employment or termination benefits payable at the end of the contract period. All directors are permanently appointed.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Municipal Manager: DP Lubbe		
Basic Salary	892 581	420 026
Pension and UIF Contributions	1 884	892
Performance Bonus	93 052	-
Motor Vehicle Allowance	356 313	165 893
Cellphone Allowance	12 914	5 797
Other Allowances and Benefits	171 817	77 843
Total	1 528 561	670 451
Remuneration of the Chief Financial Officer: GRJ Seas		
Basic Salary	863 227	572 607
Pension and UIF Contributions	1 884	121 020
Medical Aid Contributions	-	38 710
Performance Bonus	139 447	-
Motor Vehicle Allowance	110 016	133 462
Cellphone Allowance	-	9 735
Other Allowances and Benefits	257 288	178 946
Total	1 371 862	1 054 479
Remuneration of the Director Technical Services: J Pekeur (Resigned 28 February 2017)		
Basic Salary	-	434 448
Pension and UIF Contributions	-	85 907
Medical Aid Contributions	-	29 788
Performance Bonus	88 091	172 658
Motor Vehicle Allowance	-	53 420
Cellphone Allowance	-	8 409
Other Allowances and Benefits	-	128 900
Total	88 091	913 529
Remuneration of the Director Technical Services: R Basson (Appointed 1 May 2017)		
Basic Salary	758 210	120 624
Pension and UIF Contributions	150 042	23 819
Medical Aid Contributions	-	-
Performance Bonus	25 354	-
Motor Vehicle Allowance	103 133	18 000
Cellphone Allowance	13 600	2 000
Other Allowances and Benefits	159 116	18 657
Total	1 209 455	183 100
Remuneration of the Director Corporate Services: W Conradie		
Basic Salary	654 266	591 192
Pension and UIF Contributions	137 723	117 067
Medical Aid Contributions	47 307	46 452
Performance Bonus	116 406	86 284
Motor Vehicle Allowance	78 499	76 665
Cellphone Allowance	12 600	12 986
Other Allowances and Benefits	138 363	92
Total	1 185 164	930 738
Remuneration of the Director Community Services: J Swartz		
Basic Salary	59 254	659 040
Pension and UIF Contributions	11 711	130 297
Medical Aid Contributions	3 887	44 394
Performance Bonus	125 301	92 878
Motor Vehicle Allowance	5 221	61 185
Cellphone Allowance	-	3 008
Other Allowances and Benefits	854 885	170 231
Total	1 060 259	1 161 032

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Remuneration of the Director Planning and Development: L Phillips		
Basic Salary	729 091	657 459
Pension and UIF Contributions	1 884	1 785
Medical Aid Contributions	35 910	15 385
Performance Bonus	115 268	85 441
Motor Vehicle Allowance	136 109	133 951
Cellphone Allowance	5 200	12 000
Other Allowances and Benefits	153 164	14 764
Total	1 176 626	920 785

30. REMUNERATION OF COUNCILLORS

G Stephan	790 688	716 462
A Sindyamba	688 143	580 633
NS Louw	677 531	555 605
RJ Nutt	637 736	519 723
WD Loff	637 736	519 723
AFK Job	637 736	519 723
P Bok	292 677	316 376
WH Nell	292 677	300 075
AW Links	292 677	232 418
J de Jongh	292 677	232 418
M Carosini	292 677	232 418
NM Ngobo	292 677	232 418
MV Cloete	292 677	232 418
XP Tshetu	292 677	232 418
DD Jenner	424 128	232 418
HJ vd Hooven	4 198	-
MC Witbooi	-	67 449
MJ Smith	-	26 812
F Bam	-	63 374
EL Mqingqi	-	26 812
C vd Westruis	-	26 812
D Okhuis	-	26 812
J Botha	-	63 374
W Fortuin	-	63 374
Y Cloete	-	26 812
B Julies	-	26 812
DR Fredericks	-	26 812
Total Councillors Remuneration	6 839 312	6 100 498

Remuneration of councillors can be summarised as follows:

Salaries	5 816 995	5 352 698
Travel, motor car, telephone, assistance and other allowances	839 320	558 148
Contributions for UIF, pensions and medical aids	182 997	189 652
Total Councillors' Remuneration	6 839 312	6 100 498

Mayor	790 688	768 218
Deputy Mayor	688 143	613 779
Speaker	677 531	619 061
Mayoral Committee	1 913 208	1 730 389
Councillors	2 769 742	2 369 050
Total Councillors' Remuneration	6 839 312	6 100 498

In-kind Benefits

The Executive Mayor, Executive Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
31. CONTRACTED SERVICES		
Outsourced Services	1 736 941	1 389 099
Consultants and Professional Services	4 690 249	3 871 839
Contractors	1 320 738	139 019
Total Contracted Services	7 747 928	5 399 956
32. DEBT IMPAIRMENT		
Trade Receivables from exchange transactions - Note 16	5 956 365	9 431 094
Trade Receivables from non-exchange transactions - Note 16	8 782 165	4 482 298
VAT Portion of Provision	(40 495)	(435 415)
Total debt impairment	14 698 034	13 477 977
33. DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	14 331 564	13 589 964
Intangible Assets	50 874	35 143
Total Depreciation and Amortisation	14 382 438	13 625 108
34. FINANCE COSTS		
Long-term Borrowings	2 648 713	3 156 265
Non-current Provisions	2 639 298	1 755 382
Non-current Employee Benefits	2 954 388	2 905 285
Total Finance Costs	8 242 399	7 816 932
35. BULK PURCHASES		
Electricity	83 077 080	83 816 283
Water	4 534 918	6 538 970
Total Bulk Purchases	87 611 998	90 355 253
36. REPAIRS AND MAINTENANCE		
Expenditure incurred to repair and maintain Property, Plant and Equipment:		
Community Assets	851 555	578 071
Other materials	828 099	573 565
Other Expenditure	23 456	4 505
Infrastructure	3 180 691	5 339 926
Other materials	2 092 774	3 635 375
Other Expenditure	1 087 917	1 704 551
Land and buildings	516 226	892 122
Other materials	516 226	880 960
Other Expenditure	-	11 161
Other Assets	4 280 811	4 431 741
Other materials	4 093 955	3 629 111
Other Expenditure	186 856	802 630
Total Other Materials	7 531 055	8 719 012
Total Other Expenditure	1 298 229	2 522 847
Total Repairs and Maintenance	8 829 284	11 241 859
37. TRANSFERS AND SUBSIDIES		
Operational: Monetary Allocations		
Life Guards	240 433	134 200
Poverty Alleviation	257 624	65 595
Tourism	931 396	878 675
Sport development	7 000	1 500
Total Grants and Subsidies	1 436 453	1 079 970

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
38. OPERATIONAL COSTS		
Advertisements	302 950	237 194
Audit Fees	1 998 926	1 754 647
Bank Charges	439 198	320 450
Cleaning Material	-	6 820
Commission Paid	1 717 424	1 630 778
Computer Service	2 670 069	689 806
Consulting fees	-	359 438
Contributions	117 941	-
Development Programmes	15 617	14 663
Entertainment Costs	38 691	-
External Computer Service	-	1 342 150
Fuel	3 952 238	3 838 948
Hire Charges	1 727 997	4 505
Insurance	1 270 600	929 897
Licenses	206 630	23 898
Municipal Services	1 976 182	2 168 659
Other materials	3 449	3 417 396
Photocopies	67 831	46 296
Postage	50 399	42 771
Printing and Stationary	1 219 541	1 386 900
Prodiba payments	261 360	245 137
Public Entertainment	29 097	281
Rental external networks-IT	761 578	1 132 249
Subscription Fees	1 203 648	1 026 636
Survey Costs	420	-
System Access and Information Fees	72 476	-
Telephone	901 796	1 170 996
Training Costs	318 959	93 775
Travel and Subsistence	1 786 540	1 248 552
Vehicle Tracking	93 222	87 692
Other	615 055	1 301 101
Workmen's Compensation Fund	600 785	574 316
Total Operational Costs	<u>24 420 618</u>	<u>25 095 952</u>

Other costs consists of administration, cleaning, disinfection costs, lost books, management of informal areas, marketing region, meter costs, projects, protection equipment, recruitment costs, staff wellness, street lights, trade union contributions and ward committee functions.

39. CHANGE IN ESTIMATE

Other Assets

Decrease in depreciation on other assets for the year	-	597 361
Decrease in depreciation on infrastructure	-	5 759
	<u>-</u>	<u>603 120</u>

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2017 R	2016 R
40. CORRECTION OF ERROR IN TERMS OF GRAP 3		
Correction of Property, Plant and Equipment balances originating from periods before 1 July 2016. This is now corrected with the following entries. Dt Accumulated Surplus Prior Year 2015/2016, R 22 228.22 (Ct) Dt Cost Opening balance R 71 882.80. Dt Accumulated Depreciation, R49 654.58. Correction of Property, Plant and Equipment with negative carrying values. This is now corrected with the following entries. Dt Accumulated Depreciation, R802.07, (Dt) Cost Opening Balance R910.42 and (Ct) Accumulated Surplus Prior Year 2015/2016 R1712.49		
Correction of Long -term Borrowings, this is now corrected with the following entries. Dt Long-term Borrowings, R73 575.91 (Ct) Accumulated Surplus 2015/2016 R73 575.91		
Correction of Other Receivables from non-exchange transactions, this is now corrected with the following entries. Dt Accumulated Surplus Prior Year 2016/2017 R 6 022.40, (Ct) Other Receivables from non-exchange transactions R6022.40. Correction of Provision for Doubtful Debts from non-exchange transactions, this is now corrected with the following entries. Dt Provision for Doubtful Debts R543 347.71 (Ct) Accumulated Surplus Prior Year 2016/2017 R543 347.71		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:		
40.1 Property, Plant and Equipment: Other Assets		
(a) Infrastructure Electricity		
Cost	48 277 369	44 956 122
Balance previously reported	48 277 369	44 956 122
Infrastructure Electricity incorrectly recognised	-	-
Accumulated Depreciation	18 227 680	17 059 177
Balance previously reported	18 228 282	17 059 779
Infrastructure Electricity incorrectly recognised	(602)	(602)
Restated Balance	30 049 689	27 896 945
(b) Infrastructure Water		
Cost	90 570 448	88 183 867
Balance previously reported	90 570 448	88 183 867
Infrastructure Water incorrectly recognised	-	-
Accumulated Depreciation	20 283 202	19 104 426
Balance previously reported	20 282 363	19 103 587
Infrastructure Water incorrectly recognised	839	839
Restated Balance	70 287 246	69 079 441
(c) Infrastructure Landfill Sites		
Cost	29 795 854	29 702 118
Infrastructure Landfill Sites previously reported	29 853 827	29 760 091
Depreciation incorrectly recognised	(57 973)	(57 973)
Accumulated Depreciation	17 437 341	15 252 777
Balance previously reported	17 507 525	15 322 961
Infrastructure Landfill Sites incorrectly recognised	(70 184)	(70 184)
Impairments	13 906	-
Balance previously reported	(18 815)	-
Infrastructure Landfill Sites incorrectly recognised	32 721	-
Restated Balance	12 344 607	14 449 341

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2017 R	2016 R
(d) Office Equipment		
Cost	3 961 717	3 928 016
Balance previously reported	3 961 790	3 928 089
Office Equipment incorrectly recognised	(73)	(73)
Accumulated Depreciation	2 395 068	2 292 906
Balance previously reported	2 394 617	2 292 455
Office Equipment incorrectly recognised	451	451
Restated Balance	1 566 649	1 635 110
(e) Plant and Equipment		
Cost	2 402 967	2 238 766
Balance previously reported	2 401 984	2 237 783
Plant and Equipment incorrectly recognised	983	983
Accumulated Depreciation	1 380 783	1 341 541
Balance previously reported	1 380 264	1 341 022
Plant and Equipment incorrectly recognised	519	519
Restated Balance	1 022 184	897 225
(f) Computer Equipment		
Cost	811 010	498 179
Balance previously reported	811 010	498 179
Computer Equipment incorrectly recognised	-	-
Accumulated Depreciation	187 997	168 686
Balance previously reported	188 405	169 094
Computer Equipment incorrectly recognised	(408)	(408)
Restated Balance	623 013	329 493
40.2 Long-term Borrowings		
Annuity loans at amortised cost	25 864 058	29 978 959
Current Portion transferred to Current Liabilities	(4 201 292)	(4 082 984)
Total Long-Term Liabilities at amortised cost using the effective interest rate method	21 662 766	25 895 975
40.3 Receivables from non-exchange transactions		
Taxes - Rates	8 548 057	7 419 957
Fines	3 798 587	3 240 366
Other Receivables	1 622 384	1 442 098
	13 969 028	12 102 421
Less: Provision for doubtful debts	(8 483 312)	(5 155 873)
Total Receivables from non-exchange transactions	5 485 716	6 946 548
40.4 Accumulated Surplus		
Balance previously reported	498 596 330	464 621 778
Infrastructure Electricity incorrectly recognised	602	602
Infrastructure Water incorrectly recognised	(839)	(839)
Infrastructure Landfill Sites previously reported	(19 691)	71 879
Office Equipment incorrectly recognised	(524)	(524)
Plant and Equipment incorrectly recognised	464	464
Computer Equipment incorrectly recognised	409	409
Long-term Liabilities incorrectly recognised	73 576	-
Other receivables from non-exchange transactions incorrectly recognised	(6 022)	-
Provision for Doubtful debts incorrectly recognised	543 348	-
Restated Balance	499 187 652	464 693 769

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
41 NOTES TO THE CASH FLOW STATEMENT		
41.1 CASH RECEIPTS FROM RATEPAYERS, GOVERNMENT AND OTHER		
Total Revenue	304 703 317	309 015 414
Adjustments for:		
Interest earned on outstanding debtors	(2 834 827)	(3 161 708)
Interest earned on external investments	(2 497 636)	(1 700 714)
Contributed property, plant and equipment	(7 761)	(18 322 928)
Impairment reversal	-	(18 815)
Gain on sale of investment property	(486 184)	-
Bad debts	14 698 034	13 477 977
(Increase)/Decrease in consumer debtors	(20 689 983)	(12 951 822)
(Increase)/Decrease in other debtors	(5 972)	750
Actuarial gain	(1 033 873)	(3 266 714)
Increase in taxes receivable	(1 276 601)	(482 566)
Decrease in unpaid conditional grants	810 154	-
Increase in unspent conditional grants	21 040 155	849 109
Cash Receipts	<u>312 418 823</u>	<u>283 437 983</u>
41.2 CASH PAID TO SUPPLIERS AND EMPLOYEES		
Total Expenditure	(287 071 134)	(274 023 861)
Adjustments for:		
Depreciation	14 382 438	13 602 077
Loss on disposal of PPE	180 080	1 381 867
Impairment losses	61 179	-
Interest paid	8 242 399	1 755 382
Contributions to non-current provisions	1 864 287	4 804 614
Contributions to current provisions	1 423 157	849 723
(Increase)/Decrease in inventories	(204 278)	15 523
Increase/(Decrease) in payables	29 449 195	(11 492 904)
Cash paid	<u>(231 672 677)</u>	<u>(263 107 579)</u>
41.3 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS		
Surplus for the year	17 632 183	34 991 552
Adjustments for:	33 991 293	9 406 617
Investment income	(5 332 463)	(4 862 422)
Contributed property, plant and equipment	(7 761)	(18 322 928)
Bad debts	14 698 034	13 477 977
Loss on disposal PPE	180 080	1 381 867
Gain on disposal of investment property	(486 184)	-
Impairment loss/(reversal)	61 179	(18 815)
Actuarial gains	(1 033 873)	(3 266 714)
Depreciation	14 382 438	13 602 077
Interest paid	8 242 399	3 156 265
Contributions to non-current provisions	1 864 287	3 409 587
Contributions to current provisions	1 423 157	849 723
Operating Surplus before changes in working capital	51 623 476	44 398 169
Changes in working capital	29 113 255	(24 067 765)
Increase/(Decrease) in Payables from Exchange Transactions	29 449 195	(11 492 983)
Increase/(Decrease) in Taxes	(1 286 016)	(488 342)
Increase in unspent conditional grants	21 040 155	849 109
Decrease in unpaid conditional grants	810 154	-
(Increase)/Decrease in Inventory	(204 278)	15 523
(Increase)/Decrease in other debtors	(5 972)	750
(Increase)/Decrease in consumer debtors	(20 689 983)	(12 951 822)
Cash generated by operations	<u>80 736 731</u>	<u>20 330 404</u>

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R		
41.4 CASH AND CASH EQUIVALENTS				
Cash and cash equivalents included in the cash flow statement comprise the following:				
Cash Floats - Note 19	5 620	5 570		
Bank - Note 19	44 571 095	2 358 393		
Call Investment Deposits	1 875 902	1 752 093		
Total cash and cash equivalents	46 452 617	4 116 056		
42 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES				
Cash and Cash Equivalents - Note 19	46 452 617	4 116 056		
Unspent Committed Conditional Grants - Note 9	(22 699 967)	(1 659 814)		
Capital Replacement Reserve - Note 2	(4 545 000)	(4 392 000)		
Unpaid Conditional Grants	-	810 154		
Tax receivable	2 173 792	437 979		
Net cash resources available for internal distribution/(resources utilised for internal distribution)	21 381 442	(687 625)		
43 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-term Liabilities - note 3	19 066 400	21 662 766		
Used to finance property, plant and equipment - at cost	(19 066 400)	(21 662 766)		
	-	-		
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.				
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED				
44.1 Unauthorised expenditure				
Reconciliation of unauthorised expenditure:				
Opening balance	-	-		
Unauthorised expenditure current year - operational	-	-		
Unauthorised expenditure current year - capital	-	-		
Approved by Council or condoned	-	-		
Transfer to receivables for recovery	-	-		
Unauthorised expenditure awaiting authorisation	-	-		
	2018 Actual R	2018 Final Budget R	2018 Variance R	2018 Unauthorised R
Unauthorised expenditure current year - operating				
Vote 1 - Executive & Council	14 129 689	15 080 438	950 749	-
Vote 2 - Finance	35 828 191	41 129 429	5 301 238	-
Vote 3 - Corporate	15 329 996	17 677 319	2 347 323	-
Vote 4 - Community Development	65 198 775	66 746 066	1 547 291	-
Vote 5 - Infrastructure Services	156 404 403	158 526 429	2 122 026	-
Vote 6 - Development and Townplanning Services	-	-	-	-
	286 891 054	299 159 681	12 268 627	-
	2018 Actual R	2018 Final Budget R	2018 Variance R	2018 Unauthorised R
Unauthorised expenditure current year - capital				
Vote 1 - Executive & Council	659 607	750 000	90 393	-
Vote 2 - Finance	64 943	159 732	94 789	-
Vote 3 - Corporate	1 276 418	1 361 719	85 301	-
Vote 4 - Community Development	1 585 313	2 767 596	1 182 283	-
Vote 5 - Infrastructure Services	37 068 262	57 158 029	20 089 767	-
Vote 6 - Development and Townplanning Services	-	-	-	-
	40 654 542	62 197 076	21 542 533	-

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
44.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned by Council	-	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	<u>-</u>	<u>-</u>
44.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	11 828 498	11 828 498
Condonement supported by Council	(11 828 498)	-
Closing balance (Irregular expenditure awaiting further action)	<u>-</u>	<u>11 828 498</u>
45 MATERIAL LOSSES		
Water distribution losses		
There were no material water distribution losses during the current and previous financial year		
Electricity distribution losses		
- Units purchased (Kwh)	80 184 787	82 925 264
- Units lost during distribution (Kwh)	10 476 360	11 348 232
- Percentage lost during distribution	13.10%	13.68%
Electricity losses decreased during 2018 financial year due to auditing and installation of new bulk meters		
45.1 Non-Material Losses		
Water distribution losses		
- Kilo litres purchased	3 490 767	3 401 327
- Kilo litres lost during distribution	-	16 014
- Percentage lost during distribution	0.00%	0.47%
46 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT		
46.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA Contributions		
Opening balance	-	-
Council subscriptions	1 203 648	1 026 233
Amount paid - current year	(1 203 648)	(1 026 233)
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
46.2 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year audit fee	1 998 926	1 754 647
Amount paid - current year	(1 998 926)	(1 754 647)
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
46.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	437 979	445 321
Amounts received - current year	(1 692 989)	(4 130 115)
Amounts paid - current year	1 290 028	3 461 896
Amounts (received)/paid - previous years	326 391	445 321
Not declared	(1 403 383)	-
Amounts claimed - current year	2 756 555	215 556
Closing balance - (Payable)/Receivable	1 714 580	437 979
VAT in suspense due to cash basis of accounting		
Input VAT	5 483 683	3 433 359
Output VAT	(3 769 103)	(2 995 381)
Claimable/(Payable)	1 714 580	437 978

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

46.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	16 691 987	13 785 764
Amount paid - current year	(16 691 987)	(13 785 764)
Balance unpaid (included in creditors)	-	-
46.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	15 352 386	15 062 543
Amount paid - current year	(15 352 386)	(15 062 543)
Balance unpaid (included in creditors)	-	-
46.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]		
The following Councillors had arrear accounts for more than 90 days during the financial year.		
Councillor A Links	694	-
Councillor RJ Nutt	1 015	-
Councillor MV Cloete	-	1 969
Councillor AFK Job	-	3 731
Councillor WD Lof	-	669
Councillor NM Ngobo	-	1 337
Councillor X Tsetsu	-	7 089
	1 708	14 796

46.7 Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation (36)(1)(a) & (b)

	Two Suppliers R	Single Supplier R	Sec 5.27 R	Emergency R	Total R
Jul-16	4 509	21 053	336 976	-	362 538
Aug-16	140 261	59 255	346 864	-	546 380
Sep-16	76 236	26 053	470 660	-	572 949
Oct-16	109 742	68 762	807 330	-	985 834
Nov-16	49 459	364 094	383 500	-	797 053
Dec-16	39 670	2 247 302	71 403	-	2 358 375
Jan-17	4 594	48 811	637 093	-	690 498
Feb-17	41 403	38 015	362 909	-	442 327
Mar-17	107 828	72 995	544 055	-	724 878
Apr-17	129 134	3 926	680 916	-	813 976
May-17	16 764	20 882	852 007	-	889 653
Jun-17	2 065	12 504	6 054 235	-	6 068 804
	721 665	2 983 652	11 547 948	-	15 253 265

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

			2018 R	2017 R
46.8	Regulation 45 : Particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months			
	Entity	Employee Name	Position in service of the state	Relationship
	Meyer Kabinette	H Meyer	Accountant	Husband
	F1 Traders	J Ovis	Manager Community Services	Father
	Sunfox	M Michinon	Cashier	Daughter
			209 610	27 383
			15 688	-
			15 170	-
47	CAPITAL COMMITMENTS			
	Commitments in respect of capital expenditure:			
	Approved and contracted for infrastructure		14 707 145	2 811 949
	This expenditure will be financed from government grants		16 716 482	2 811 949
48	FINANCIAL RISK MANAGEMENT			
	The activities of the Municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.			
48.1	Foreign Exchange Currency Risk			
	The municipality procured goods and services denominated in a foreign currency but the Rand value was determined at the time of procurement and the risk was low at the time of payment. It was for the payment of Microsoft licences and the supplier was the only provider of the product.			
48.2	Price risk			
	The Municipality is not exposed to price risk.			
48.3	Interest Rate Risk			
	As the Municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.			
	The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.			
	The Municipality did not hedge against any interest rate risks during the current year.			
	The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follows:			
	1% (2016: 1%) Increase in interest rates		(97 991)	(88 635)
	1% (2016: 1%) Decrease in interest rates		48 995	44 318
48.4	Credit Risk			
	Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss.			
	Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.			
	Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.			
	All rates and services are payable within 30 days from invoice date. Refer to note 16 and 17 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.			
	Receivables of R4 million are pledged as security for financial liabilities.			
	statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.			

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
The provision for debt impairment could be allocated between the different classes of debtors as follows:		
	2018 %	2017 %
<u>Non-Exchange Receivables</u>		
Rates and fines	29.29%	18.92%
Long term receivables	0.63%	0.68%
	29.91%	19.60%
<u>Exchange Receivables</u>		
Service Charges	70.09%	80.40%
	70.09%	80.40%
Total Provision for Debt Impairment	100.00%	100.00%
	57 603 478	47 712 101

The provision for debt impairment could be allocated between the different categories of debtors as follows:

	2018 %	2018 R	2017 %	2017 R
Description				
Water	9.25%	5 330 677	11.10%	5 296 536
Electricity	3.67%	2 113 886	2.43%	1 161 417
Rates	15.78%	9 091 594	10.71%	5 108 950
Rental	0.00%	-	0.13%	61 520
Refuse	14.15%	8 148 248	13.93%	6 644 792
Sewerage	12.94%	7 452 092	14.22%	6 786 616
Other exchange	29.59%	17 042 635	36.97%	17 640 332
Loans	0.63%	360 699	0.68%	325 242
Fines	13.45%	7 745 226	8.02%	3 828 865
Indigent debtors	0.55%	318 420	1.80%	857 830
	100.00%	57 603 478	100.00%	47 712 101
	2018 %	2018 R	2017 %	2017 R

Bad debts written off per financial asset class:

Financial Instruments at amortised cost	100.00%	4 303 805	100.00%	9 724 816
	100.00%	4 303 805	100.00%	9 724 816

Balances past due not impaired:

<u>Non-Exchange Receivables</u>				
Rates - Note 17	22.76%	1 718 676	17.59%	1 038 226
	22.76%	1 718 676	17.59%	1 038 226
<u>Exchange Receivables</u>				
Service Charges - Note 16	77.24%	5 832 439	82.41%	4 865 443
	77.24%	5 832 439	82.41%	4 865 443
Total pass due not impaired	100.00%	7 551 115	100.00%	5 903 669

As at 30 June 2018, trade receivables of R 19 098 490 (2017: R14 369 646) were fully performing. The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of Long-term Receivables, Receivables from Exchange Transactions and Receivables from Non-Exchange Transactions are individually evaluated annually at year end for impairment.

	2018 R	2017 R
Financial assets exposed to credit risk at year end are as follows:		
Long-term receivables	578 035	325 242
Receivables from exchange transactions	21 818 254	14 334 646
Receivables from non-exchange transactions	10 858 447	5 494 666
Cash and Cash Equivalents	46 452 617	4 116 056
	79 707 353	24 270 610

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

48.5 Liquidity Risk

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
2018				
Non-current Provisions	-	-	69 606 509	-
Capital	-	-	62 314 975	-
Interest	-	-	27 088 898	-
Long Term liabilities	6 486 503	16 496 403	11 701 044	-
Payables from Exchange Transactions	34 116 260	-	-	-
Unspent conditional government grants and receipts	22 699 967	-	-	-
	<u>63 302 730</u>	<u>16 496 403</u>	<u>170 711 425</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
2017				
Non-current Provisions	-	17 823 270	69 606 509	-
Capital	-	13 008 863	44 792 221	-
Interest	-	4 814 407	24 814 288	-
Long Term liabilities	7 094 747	17 544 195	16 462 774	-
Payables from Exchange Transactions	5 814 446	-	-	-
Unspent conditional government grants and receipts	849 660	-	-	-
	<u>13 758 853</u>	<u>53 190 735</u>	<u>155 675 792</u>	<u>-</u>

49 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the Municipality are classified as follows:

	2018 R	2017 R
Financial instruments at amortised cost		
49.1 Financial Assets		
Long-Term Receivables	120 333	297 998
Receivables from exchange transactions	19 098 490	14 334 646
Current Portion of Long-term Receivables	240 466	253 380
Cash and Cash Equivalents	46 452 617	4 116 056
Total carrying amount of financial assets	<u>65 911 906</u>	<u>19 002 080</u>
Financial Liabilities		
Long-term Liabilities	19 066 401	21 662 766
Payables from exchange transactions	34 116 260	8 545 987
Unspent Conditional Government Grants and Receipts	22 699 967	849 660
Current Portion of Long-term Liabilities	4 962 463	4 274 868
Total carrying amount of financial liabilities	<u>80 845 091</u>	<u>35 333 281</u>

50 STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Taxes: VAT Receivable	1 714 580	437 979
Receivables from Non-Exchange Transactions	23 400 516	3 319 988
Rates	13 461 401	3 350 266
Fines	9 939 115	(30 278)
Total statutory receivables	<u>25 115 096</u>	<u>3 757 967</u>

51 EVENTS AFTER THE REPORTING DATE

No such instances occurred.

52 IN-KIND DONATIONS AND ASSISTANCE

The Municipality did not receive any in-kind donations or assistance during the year under review.

53 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

54 CONTINGENT LIABILITIES

The municipality is not currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions.

55 RELATED PARTIES

55.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

55.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 29 to the Annual Financial Statements.

55.3 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

Supplier	Employee	Relationship	Department	state	2018 R	2017 R
Meyer Kabinette	H Meyer	Husband	Finance	Accountant	209 610	27 383
F1 Traders	J Ovis	Father	Community Services	Manager	15 688	-
Sunfox	M Michinon	Daughter	Finance	Cashier	15 170	-

56 EXPLANATORY NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

56.1 COMPARISON OF ACTUAL FIGURES vs THE FINAL BUDGET

Current Assets:

Cash	2018.
Consumer debtors	Budget was adjusted to be in line with the final audited AFS 2017.
Other Receivables	Budget was adjusted to be in line with the final audited AFS 2017.

Non current assets:

Long term receivables	Budget was adjusted to be in line with the final audited AFS 2017.
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Current liabilities:

Borrowing	Budget was adjusted to be in line with the final Audited AFS 2017.
Trade and other Payables	Drought relief Grants received from Provincial government was only received in March 2018, and could not be spent by 30 June 2018.

Community Wealth

Reserves	Capital Replacement Reserve budget was adjusted to be in line with the final audited AFS 2016, and seen as more accurate figure than originally budgeted
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Statement of Financial Performance - Revenue

Service Charges - Water Revenue	The decrease in water revenue was driven by the severe drought conditions that were experienced during the financial year and water restrictions had to be implemented.
Rental of facilities and Equipment	The budget was adjusted downwards, to be in line with actual forecasted figures during the revised budget process of 2017/18
Interest earned - external investments	The increase in the positive cash flows resulted additional interest being earned during the year.
Interest earned - Outstanding Debtors	The budget was adjusted downwards, to be in line with actual forecasted figures during the revised budget process of 2016/17
Fines	The budget was adjusted downwards, to be in line with actual forecasted figures during the revised budget process of 2016/17
Licences and Permits	The budget was adjusted downwards, to be in line with actual forecasted figures during the revised budget process of 2016/17
Other Revenue	Actual gains budgeted for did not realised as expected.
Gains on Disposal of PPE	The sale of the land for the private hospital was not finalised at year-end as per expectation. The sale of municipal houses that were put out on tender was not finalised at year-end as expected.

Statement of Financial Performance - Expenditure

Finance charges	The interest calculated on the valuation rehabilitation of landfill sites provision was lesser budgeted.
Contracted services	The budget was adjusted, to be in line with actual forecasted figures during the revised budget process

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Cash Flow Statement

Receipts:

Other Revenue	Fines and penalties receipts performed better than expected due to the appointment of TMT.
Proceeds on disposal of PPE	The sale of the land for the private hospital was not finalised at year-end as per expectation. The sale of municipal houses that were put out on tender was not finalised at year-end as expected.
Interest	The budgeted amount includes interest charged on outstanding debtors which is non-cash item.

Increase/(Decrease) in Consumer Deposits Deposits	Increase in households
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Payments: Drought relief Grants received from Provincial government was only received in March 2018, and could not be spent by 30 June 2018.

Capital assets

56.2 COMPARISON OF ADJUSTMENTS BUDGET vs APPROVED BUDGET

The reasons for the variances between the approved and final budgets are mainly due to the negative effect of the severe drought, the decrease in the capital expenditure, and the reprioritising of capital projects, with the corresponding changes to funding sources.

57 FINANCIAL SUSTAINABILITY

Management is of the opinion that the Municipality will continue to operate as a going concern and perform its functions as set out in the Constitution.

57.1 Financial Indicators

The current ratio improved to 0.93:1 from 0.84:1 in the prior year.

The municipality has budgeted for positive cash flows during 2018/2019 and 2019/2020 amounting to R8 183 000 and R14 390 000 respectively.

57.2 Other Indicators

There was no contingent liabilities as at 30 June 2018 as disclosed in note 53.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2018

Reconciliation of Carrying Value

Reconciliation of Carrying Value	COST							Accumulated Depreciation and Impairment Losses						Carrying Value
	Opening Balance	Additions	Contributing PPE	Under Construction	Transfers from	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Transfers	Disposals	Impairments	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R	
Land and Buildings	57 012 006	-	-	-	-	-	57 012 006	6 765 118	383 556	-	-	-	7 148 675	49 863 332
Land	15 009 582	-	-	-	-	-	15 009 582	-	-	-	-	-	-	15 009 582
Buildings	42 002 424	-	-	-	-	-	42 002 424	6 765 118	383 556	-	-	-	7 148 675	34 853 749
Infrastructure	495 068 057	32 679 629	-	3 217 066	-	(233 507)	530 731 245	104 295 534	11 452 930	-	(53 076)	61 179	115 756 567	414 974 679
Storm water and Roads	137 282 477	9 379 716	-	3 217 066	-	(206 187)	149 673 073	24 475 244	3 381 246	-	(39 751)	-	27 816 739	121 856 334
Sewerage	188 467 628	9 365 211	-	-	-	-	197 832 839	23 729 445	3 414 924	-	-	-	27 144 369	170 688 470
Electricity	48 277 369	2 878 584	-	-	-	(22 710)	51 133 243	18 227 680	1 243 897	-	(10 560)	-	19 461 017	31 672 226
Water	90 570 448	9 181 525	-	-	-	(4 609)	99 747 364	20 283 202	1 317 425	-	(2 766)	-	21 597 861	78 149 503
Solid Waste Disposal	674 281	-	-	-	-	-	674 281	128 716	38 004	-	-	-	166 720	507 560
Landfill Sites	29 795 854	1 874 593	-	-	-	-	31 670 446	17 451 247	2 057 435	-	-	61 179	19 569 860	12 100 586
Community Assets	99 226 347	2 265 658	7 761	-	-	-	101 499 766	5 542 486	685 980	-	-	-	6 228 466	95 271 299
Parks and Gardens	21 439 049	-	-	-	-	-	21 439 049	112 955	30 824	-	-	-	143 779	21 295 270
Libraries	2 453 906	-	-	-	-	-	2 453 906	249 556	69 603	-	-	-	319 159	2 134 747
Recreation Grounds	45 321 711	2 265 658	-	-	-	-	47 587 369	2 599 665	330 812	-	-	-	2 930 478	44 656 891
Other	5 252 500	-	7 761	-	-	-	5 260 261	107 829	10 798	-	-	-	118 627	5 141 634
Cemeteries	685 000	-	-	-	-	-	685 000	2 100	210	-	-	-	2 310	682 690
Community Buildings	24 074 181	-	-	-	-	-	24 074 181	2 470 382	243 732	-	-	-	2 714 114	21 360 067
Other Assets	27 978 903	2 042 519	-	-	-	(1 416)	30 020 006	15 438 525	1 859 972	-	(1 767)	-	17 296 731	12 723 275
Office Equipment	3 961 718	595 489	-	-	-	(1 416)	4 555 791	2 395 068	242 300	-	(1 767)	-	2 635 601	1 920 190
Motor vehicles	20 803 207	22 900	-	-	-	-	20 826 107	11 474 677	1 301 333	-	-	-	12 776 010	8 050 097
Plant & Equipment	2 402 967	584 227	-	-	-	-	2 987 194	1 380 783	173 928	-	-	-	1 554 712	1 432 482
Computer equipment	811 010	839 904	-	-	-	-	1 650 914	187 997	142 411	-	-	-	330 408	1 320 506
	679 285 313	36 987 806	7 761	3 217 066	-	(234 923)	719 263 023	132 041 664	14 382 438	-	(54 843)	61 179	146 430 438	572 832 585

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
30 JUNE 2017

Reconciliation of Carrying Value

Reconciliation of Carrying Value	COST							Accumulated Depreciation and Impairment Losses						Carrying Value
	Opening Balance	Additions	Contributing PPE	Under Construction	Transfers from	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Transfers	Disposals	Impairments	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R	
Land and Buildings	56 142 585	869 421	-	-	-	-	57 012 006	3 421 258	405 196	-	-	2 938 665	6 765 118	50 246 888
Land	14 259 582	750 000	-	-	-	-	15 009 582	-	-	-	-	-	-	15 009 582
Buildings	41 883 003	119 421	-	-	-	-	42 002 424	3 421 258	405 196	-	-	2 938 665	6 765 118	35 237 306
Infrastructure	456 292 696	14 377 101	18 322 928	7 311 802	-	(1 236 471)	495 068 057	93 819 975	11 032 901	-	(571 248)	13 906	104 295 534	390 772 523
Storm water and Roads	117 276 913	11 021 780	9 783 329	-	-	(799 545)	137 282 477	21 598 489	3 235 933	-	(359 177)	-	24 475 244	112 807 233
Sewerage	175 938 788	86 202	6 368 410	6 497 867	(218 167)	(205 471)	188 467 628	20 698 193	3 124 309	-	(93 058)	-	23 729 445	164 738 183
Electricity	44 956 122	2 617 458	-	710 716	-	(6 927)	48 277 369	17 059 177	1 173 429	-	(4 926)	-	18 227 680	30 049 689
Balance Previously Reported	44 956 122	2 617 458	-	710 716	-	(6 927)	48 277 369	17 059 779	1 173 429	-	(4 926)	-	18 228 282	30 049 087
Correction of error see note - 40.01(a)	-	-	-	-	-	-	-	(602)	-	-	-	-	(602)	602
Water	88 183 867	412 905	2 171 189	27 014	-	(224 527)	90 570 448	19 104 426	1 292 863	-	(114 087)	-	20 283 202	70 287 246
Balance Previously Reported	88 183 867	412 905	2 171 189	27 014	-	(224 527)	90 570 448	19 103 587	1 292 863	-	(114 087)	-	20 282 363	70 288 085
Correction of error see note - 40.01(a)	-	-	-	-	-	-	-	839	-	-	-	-	839	(839)
Solid Waste Disposal	234 887	145 021	-	76 206	218 167	-	674 281	106 913	21 803	-	-	-	128 716	545 565
Landfill Sites	29 702 118	93 736	-	-	-	-	29 795 854	15 252 777	2 184 564	-	-	13 906	17 451 247	12 344 607
Balance Previously Reported	29 760 091	93 736	-	-	-	-	29 853 827	15 322 961	2 184 564	-	-	(18 815)	17 488 710	12 365 117
Correction of error see note - 40.01(a)	(57 973)	-	-	-	-	-	(57 973)	(70 184)	-	-	-	32 721	(37 463)	(20 510)
Community Assets	97 807 814	1 418 533	-	-	-	-	99 226 347	4 895 621	646 865	-	-	-	5 542 486	93 683 861
Parks and Gardens	21 439 049	-	-	-	-	-	21 439 049	82 109	30 845	-	-	-	112 955	21 326 094
Libraries	2 139 406	314 500	-	-	-	-	2 453 906	182 876	66 680	-	-	-	249 556	2 204 350
Recreation Grounds	44 296 308	1 025 403	-	-	-	-	45 321 711	2 304 639	295 026	-	-	-	2 599 665	42 722 046
Other	5 252 500	-	-	-	-	-	5 252 500	97 018	10 810	-	-	-	107 829	5 144 671
Cemeteries	685 000	-	-	-	-	-	685 000	1 890	210	-	-	-	2 100	682 900
Community Buildings	23 995 551	78 630	-	-	-	-	24 074 181	2 227 089	243 293	-	-	-	2 470 382	21 603 799
Other Assets	26 984 311	1 366 513	-	-	-	(371 921)	27 978 903	14 208 673	1 481 972	-	(252 120)	-	15 438 525	12 540 377
Office Equipment	3 928 017	204 371	-	-	-	(170 670)	3 961 718	2 292 906	219 499	-	(117 337)	-	2 395 068	1 566 650
Balance Previously Reported	3 928 089	204 371	-	-	-	(170 670)	3 961 790	2 292 455	219 499	-	(117 337)	-	2 394 617	1 567 173
Correction of error see note - 40.01(a)	(73)	-	-	-	-	-	(73)	451	-	-	-	-	451	(524)
Motor vehicles	20 319 349	483 858	-	-	-	-	20 803 207	10 405 540	1 069 137	-	-	-	11 474 677	9 328 530
Balance Previously Reported	20 319 349	483 858	-	-	-	-	20 803 207	10 405 540	1 069 137	-	-	-	11 474 677	9 328 530
Correction of error see note - 40.01(a)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & Equipment	2 238 766	322 122	-	-	-	(157 921)	2 402 967	1 341 541	154 828	-	(115 586)	-	1 380 783	1 022 184
Balance Previously Reported	2 237 783	322 122	-	-	-	(157 921)	2 401 984	1 341 022	154 828	-	(115 586)	-	1 380 264	1 021 720
Correction of error see note - 40.01(a)	983	-	-	-	-	-	983	519	-	-	-	-	519	464
Computer equipment	498 179	356 161	-	-	-	(43 330)	811 010	168 686	38 509	-	(19 198)	-	187 997	623 013
Balance Previously Reported	498 179	356 161	-	-	-	(43 330)	811 010	169 094	38 509	-	(19 198)	-	188 405	622 605
Correction of error see note - 40.01(a)	-	-	-	-	-	-	-	(408)	-	-	-	-	(408)	408
	637 227 406	18 031 568	18 322 928	7 311 802	-	(1 608 392)	679 285 313	116 345 527	13 566 934	-	(823 368)	2 952 571	132 041 664	547 243 648

APPENDIX A - Unaudited
MATZIKAMA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2018	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2018
ANNUITY LOANS								
DBSA	12.27%	102857	2018	444 444	444 444	-	212 138	232 307
DBSA	6.75%	103143(2)	2018	460 537	460 537	-	137 655	322 882
DBSA	11.14%	103749	2020	6 293 503	6 293 503	-	611 877	5 681 626
DBSA	8.57%	WC12007362.1	2021	8 999 225	8 999 225	-	(327 936)	9 327 161
DBSA	8.57%	WC12007362.2	2031	674 131	674 131	-	28 228	645 903
DBSA	8.82%	1007262	2022 / 2027	8 849 618	8 849 618	-	1 030 633	7 818 985
ABSA - Capital Works 2008/2009	Prime - 2%	40-7292-9600	2018	216 175	142 599	-	142 599	-
Total Annuity Loans				25 937 634	25 864 058	-	1 835 195	24 028 863
TOTAL EXTERNAL LOANS				25 937 634	25 864 058	-	1 835 195	24 028 863

APPENDIX B - Unaudited
MATZIKAMA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
			Governance and Administration			
18 678 256	(12 339 581)	6 338 675	Executive & Council	230 831	(14 129 689)	(13 898 859)
110 632 485	(36 305 056)	74 327 428	Budget & Treasury Office	136 928 699	(35 828 191)	101 100 508
4 418 978	(16 473 428)	(12 054 449)	Corporate Services	2 677 723	(17 092 512)	(14 414 789)
			Community and Public Safety			
6 690 464	(12 728 334)	(6 037 871)	Community and Social Services	7 138 491	(13 058 569)	(5 920 078)
2 280 181	(6 275 619)	(3 995 437)	Sport and Recreation	2 126 070	(5 897 048)	(3 770 978)
2 272 513	(10 403 692)	(8 131 179)	Public Safety	6 862 944	(14 067 606)	(7 204 663)
300 822	(719 574)	(418 752)	Housing	867 671	(1 312 405)	(444 734)
-	-	-	Health	-	-	-
			Economic and Environmental Services			
519 279	(6 945 082)	(6 425 803)	Planning and Development	627 731	(8 500 888)	(7 873 158)
6 034 834	(23 813 236)	(17 755 372)	Road Transport	6 740 695	(25 034 429)	(18 293 734)
-	-	-	Environmental Protection	-	-	-
			Trading Services			
102 917 871	(97 186 990)	5 730 881	Electricity	100 072 268	(97 819 583)	2 252 685
17 459 386	(19 271 478)	(1 812 092)	Water	11 015 989	(17 511 197)	(6 495 208)
18 446 814	(11 913 637)	6 533 177	Waste Water Management	14 251 530	(12 744 672)	1 506 857
18 363 531	(18 368 382)	(4 852)	Waste Management	14 982 598	(22 398 966)	(7 416 368)
-	-	-		-	-	-
-	(1 302 804)	(1 302 804)	Other	-	(1 495 300)	(1 495 300)
309 015 413	(274 023 862)	34 991 551	Sub Total	304 523 237	(286 891 054)	17 632 183
-	-	-	Less Inter-Departmental Charges	-	-	-
309 015 413	(274 023 862)	34 991 551	Total	304 523 237	(286 891 054)	17 632 183

**APPENDIX C - Unaudited
MATZIKAMA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
MUNICIPAL VOTES CLASSIFICATIONS**

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
			Vote 1 - Executive & Council			
-	(9 477 866)	(9 477 866)	1.1 - Council	-	(10 719 991)	(10 719 991)
-	-	-	1.2 - Local Economic Development	-	-	-
18 678 256	(2 861 715)	15 816 541	1.3 - Municipal Manager	230 831	(3 409 698)	(3 178 867)
-	-	-	1.4 - DMA	-	-	-
0	0	-	1.5 - Tourism	-	-	-
			Vote 2 - Finance			
34 265 127	(11 981 654)	22 283 474	2.1 - Equitable Share	37 359 096	(10 251 288)	27 107 808
58 282	(7 391 645)	(7 333 363)	2.2 - Expenses	54 520	(8 855 589)	(8 801 069)
30 029 742	(8 273 151)	21 756 591	2.3 - Finance	41 595 328	(7 612 254)	33 983 074
3 161 708	(8 356 694)	(5 194 987)	2.4 - Income	2 834 827	(9 046 265)	(6 211 438)
43 098 812	(301 912)	42 796 900	2.5 - Taxes	45 380 023	(62 796)	45 317 226
			Vote 3 - Corporate			
117 743	(3 320 749)	(3 203 006)	3.1 - Corporate	194 588	(3 291 283)	(3 096 696)
3 537 307	(9 365 450)	(5 828 144)	3.2 - Human Resources	1 313 191	(10 303 437)	(8 990 246)
-	-	-	3.3 - Property Management	-	-	-
-	(1 872 435)	(1 872 435)	3.4 - I.T	-	(1 735 276)	(1 735 276)
-	-	-	3.5 - Town Planning	-	-	-
-	-	-	3.6 - Libraries	-	-	-
			Vote 4 - Community Development			
522 854	(6 681 561)	(6 158 707)	4.1 - Community Halls	623 014	(6 613 907)	(5 990 893)
265 246	(277 820)	(12 574)	4.2 - Cemeteries	17 311	(250 595)	(233 284)
300 822	(719 574)	(418 752)	4.3 - Housing	867 671	(1 312 405)	(444 734)
2 272 513	(10 389 376)	(8 116 863)	4.4 - Traffic	6 862 944	(14 067 606)	(7 204 663)
4 523 958	(1 696 818)	2 827 139	4.5 - Vehicle Licencing	5 232 168	(1 972 126)	3 260 041
104 177	(3 722 323)	(3 618 146)	4.6 - Sport and Recreation Vredendal	1 616 331	(3 190 743)	(1 574 412)
18 363 531	(12 747 775)	5 615 756	4.7 - Refuse Removal Vredendal	19 256 797	(15 351 789)	3 905 008
-	(2 918 224)	(2 918 224)	4.8 - Street Cleansing Vredendal	-	(3 342 600)	(3 342 600)
2 176 005	(970 261)	1 205 743	4.9 - Resorts	509 739	(1 149 006)	(639 267)
5 879 186	(5 762 628)	116 558	4.10 - Libraries	6 258 735	(6 189 294)	69 441
118 807	(3 790 847)	(3 672 040)	4.11 - Local Economic Development	343 800	(4 507 143)	(4 163 343)
782 744	(1 914 794)	(1 132 050)	4.12 - Property Management	1 169 944	(1 762 516)	(592 572)
400 472	(3 154 235)	(2 753 763)	4.13 - Town Planning	283 931	(4 020 875)	(3 736 945)
-	(1 302 804)	(1 302 804)	4.14 - Tourism	-	(1 468 169)	(1 468 169)
			Vote 5 - Infrastructure Services			
23 178	(6 325)	16 852	5.1 - Cemeteries Outside Towns	239 432	(4 773)	234 659
-	(1 583 035)	(1 583 035)	5.2 - Sport and Recreation Outside Towns	-	(1 557 299)	(1 557 299)
-	-	-	5.3 - Resorts	-	-	-
-	-	-	5.4 - Refuse Removal Outside Towns	-	-	-
18 446 814	(11 913 637)	6 533 177	5.5 - Sewerage	19 304 490	(12 744 672)	6 559 817
1 510 876	(22 130 734)	(20 596 828)	5.6 - Roads	1 508 527	(23 062 303)	(21 553 776)
-	(2 702 384)	(2 702 384)	5.7 - Steet Cleancing Outside Towns	-	(3 704 577)	(3 704 577)
17 459 386	(19 271 478)	(1 812 092)	5.8 - Water Distributions	11 270 167	(17 511 197)	(6 241 030)
102 917 871	(97 186 990)	5 730 881	5.9 - Electricity Distributions	100 195 836	(97 819 583)	2 376 253
309 015 413	(274 023 862)	34 991 551	Sub Total	304 523 237	(286 891 054)	17 632 183
-	-	-	Less Inter-Departmental Charges	-	-	-
309 015 413	(274 023 862)	34 991 551	Total	304 523 237	(286 891 054)	17 632 183

APPENDIX D - Unaudited
MATZIKAMA MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2017 R	Contributions during the year R	Correction of error	Operating Expenditure during the year Transferred to Revenue R	Capital Expenditure during the year Transferred to Revenue R	Repaid to National/Provincial Revenue fund R	Balance 30 JUNE 2018 R	Unspent 30 JUNE 2018 (Creditor) R	Unpaid 30 JUNE 2018 (Debtor) R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS									
<u>National Government Grants</u>									
Equitable Share	-	47 561 000	-	47 561 000	-	-	-	-	-
Department of Mineral Resources	(810 154)	3 000 000	-	-	2 189 846	-	-	-	-
Financial Management Grant	-	1 550 000	-	1 550 000	-	-	-	-	-
Municipal Infrastructure Grant	-	21 614 000	-	-	21 614 000	-	-	-	-
Expanded Public Works Programme	-	1 406 000	-	1 406 000	-	-	-	-	-
Municipal Water Infrastructure Grant	-	10 000 000	-	-	10 000 000	-	-	-	-
Total National Government Grants	(810 154)	85 131 000	-	50 517 000	33 803 846	-	-	-	-
<u>Provincial Government Grants</u>									
Community Development Workers	-	111 000	-	111 000	-	-	-	-	-
Library Services	-	6 246 000	-	6 178 585	67 415	-	-	-	-
Western Cape Financial Management Support Grant	-	530 000	-	530 000	-	-	-	-	-
Public Transport Infrastructure	-	65 000	-	65 000	-	-	-	-	-
Municipal Capacity Building Grant	57 900	240 000	-	178 204	-	-	119 696	119 696	-
Municipal Service Delivery and Capacity Building Grant	703 914	250 000	-	680 056	-	(120 727)	153 130	153 130	-
Thusong services centres operational grant	-	100 000	-	65 000	-	-	35 000	35 000	-
Human Settlements	898 000	3 696 753	-	562 486	-	-	4 032 267	4 032 267	-
Municipal Drought Relief Grant	-	12 720 000	-	-	1 437 897	-	11 282 103	11 282 103	-
Municipal Disaster Recovery Grant	-	7 627 000	-	-	549 228	-	7 077 772	7 077 772	-
Transport, Education and Training SETA	-	166 132	-	166 132	-	-	-	-	-
Total Provincial Government Grants	1 659 814	31 751 885	-	8 536 464	2 054 540	(120 727)	22 699 967	22 699 967	-
TOTAL GOVERNMENT GRANTS	849 660	116 882 885	-	59 053 464	35 858 386	(120 727)	22 699 967	22 699 967	-
TOTAL	849 660	116 882 885	-	59 053 464	35 858 386	(120 727)	22 699 967	22 699 967	-

MATZIKAMA MUNICIPALITY - Reconciliation of Table A1 Budget Summary - Unaudited

Description	2017/2018								2016/2017			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
R thousands												
Financial Performance												
Property rates	46 632	651	47 283	44 727		(2 556)	94.6%	95.9%				42 530
Service charges	159 814	(2 186)	157 628	140 281		(17 347)	89.0%	87.8%				147 352
Investment revenue	1 550	–	1 550	2 498		948	161.1%	161.1%				1 701
Transfers recognised - operational	57 074	3 282	60 356	59 053		(1 303)	97.8%	103.5%				54 632
Other own revenue	26 271	6 109	32 381	22 278		(10 102)	68.8%	84.8%				19 775
Total Revenue (excluding capital transfers and contributions)	291 341	7 856	299 197	268 837		(30 360)	89.9%	92.3%				265 991
Employee costs	112 749	(716)	112 032	111 334	–	(698)	99.4%	98.7%	–	–	–	102 679
Remuneration of councillors	6 605	134	6 739	6 839	–	100	101.5%	103.5%	–	–	–	6 100
Debt impairment	10 700	4 900	15 600	14 698	–	(902)	94.2%	137.4%	–	–	–	13 478
Depreciation & asset impairment	14 822	690	15 512	14 382	–	(1 130)	92.7%	97.0%	–	–	–	13 644
Finance charges	10 159	111	10 270	8 242	–	(2 027)	80.3%	81.1%	–	–	–	7 817
Materials and bulk purchases	90 281	7 852	98 134	96 141	–	(1 993)	98.0%	106.5%	–	–	–	90 355
Transfers and grants	1 132	387	1 519	1 428	–	(91)	94.0%	126.1%	–	–	–	1 027
Other expenditure	44 881	(5 527)	39 354	34 006	–	(5 348)	86.4%	75.8%	–	–	–	38 964
Total Expenditure	291 329	7 831	299 160	287 071	–	(12 089)	96.0%	98.5%	–	–	–	274 066
Surplus/(Deficit)	12	25	38	(18 234)		(18 272)	-48420.7%	-146714.2%				(8 075)
Transfers recognised - capital	34 819	15 748	50 567	35 858		(14 709)	70.9%	103.0%				24 702
Contributions recognised - capital & contributed assets	3 700	(3 700)	–	8		8	0.0%	0.2%				18 323
Surplus/(Deficit) after capital transfers & contributions	38 531	12 073	50 605	17 632		(32 973)	34.8%	45.8%				34 950
Share of surplus/ (deficit) of associate	–	–	–	–		–	0.0%	0.0%				–
Surplus/(Deficit) for the year	38 531	12 073	50 605	17 632		(32 973)	34.8%	45.8%				34 950
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	34 819	15 748	50 567	31 475		(19 092)	62.2%	90.4%				21 733
Public contributions & donations	3 700	(3 700)	–	–		–	0.0%	0.0%				–
Borrowing	–	–	–	–		–	0.0%	0.0%				–
Internally generated funds	9 190	2 440	11 630	9 179		(2 451)	78.9%	99.9%				3 516
Total sources of capital funds	47 709	14 488	62 197	40 655		(21 543)	65.4%	85.2%				25 250
Cash flows												
Net cash from (used) operating	42 929	27 977	70 906	80 595		9 689	113.7%	187.7%				22 037
Net cash from (used) investing	(40 035)	(11 388)	(51 423)	(36 630)		14 794	71.2%	91.5%				(24 656)
Net cash from (used) financing	(4 938)	1 025	(3 913)	(1 629)		2 284	41.6%	33.0%				(3 775)
Cash/cash equivalents at the year end	8 467	11 219	19 686	46 453		26 767	236.0%	548.7%				4 116

MATZIKAMA MUNICIPALITY - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification) - Unaudited

Description	2017/2018								2016/2017			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Functional												
Governance and administration	147 244	23 635	170 880	139 837		(31 042)	81.8%	95.0%				133 730
Executive and council	–	250	250	231		(19)	92.3%	#DIV/0!				18 678
Finance and administration	147 244	23 385	170 630	139 606		(31 023)	81.8%	94.8%				110 632
Internal audit	–	–	–	–		–	0.0%	0.0%				4 419
Community and public safety	9 832	1 695	11 527	10 132		(1 395)	87.9%	103.0%				11 544
Community and social services	6 936	100	7 036	7 138		102	101.5%	102.9%				6 690
Sport and recreation	2 569	–	2 569	2 126		(443)	82.7%	82.7%				2 280
Public safety	–	–	–	–		–	0.0%	0.0%				2 273
Housing	327	1 595	1 922	868		(1 054)	45.2%	265.4%				301
Health	–	–	–	–		–	0.0%	0.0%				–
Economic and environmental services	12 920	(3 240)	9 680	14 231		4 552	147.0%	110.2%				6 554
Planning and development	4 193	(3 240)	953	628		(325)	65.9%	15.0%				519
Road transport	8 727	–	8 727	13 604		4 877	155.9%	155.9%				6 035
Environmental protection	–	–	–	–		–	0.0%	0.0%				–
Trading services	159 864	(2 186)	157 678	140 322		(17 356)	89.0%	87.8%				157 188
Energy sources	110 459	74	110 533	100 072		(10 461)	90.5%	90.6%				102 918
Water management	18 498	(1 960)	16 538	11 016		(5 522)	66.6%	59.6%				17 459
Waste water management	15 268	(150)	15 118	14 252		(866)	94.3%	93.3%				18 447
Waste management	15 640	(150)	15 490	14 983		(507)	96.7%	95.8%				18 364
Other	–	–	–	–		–	0.0%	0.0%				–
Total Revenue - Standard	329 860	19 904	349 764	304 523		(45 241)	87.1%	92.3%				309 015
Expenditure - Functional												
Governance and administration	68 592	7 503	76 095	67 050	–	(9 045)	88.1%	97.8%	–	–	–	65 118
Executive and council	13 915	1 165	15 080	14 130	–	(951)	93.7%	101.5%	–	–	–	12 340
Finance and administration	54 677	6 338	61 015	52 921	–	(8 094)	86.7%	96.8%	–	–	–	36 305
Internal audit	–	–	–	–	–	–	0.0%	0.0%	–	–	–	16 473
Community and public safety	22 514	672	23 186	20 268	–	(2 918)	87.4%	90.0%	–	–	–	30 127
Community and social services	14 627	(897)	13 730	13 059	–	(672)	95.1%	89.3%	–	–	–	12 728
Sport and recreation	7 039	(142)	6 898	5 897	–	(1 001)	85.5%	83.8%	–	–	–	6 276
Public safety	–	–	–	–	–	–	0.0%	0.0%	–	–	–	10 404
Housing	848	1 710	2 558	1 312	–	(1 246)	51.3%	154.8%	–	–	–	720
Health	–	–	–	–	–	–	0.0%	0.0%	–	–	–	–
Economic and environmental services	46 522	(774)	45 748	47 603	–	1 855	104.1%	102.3%	–	–	–	30 758
Planning and development	10 253	(436)	9 817	8 501	–	(1 316)	86.6%	82.9%	–	–	–	6 945
Road transport	36 269	(338)	35 931	39 102	–	3 171	108.8%	107.8%	–	–	–	23 813
Environmental protection	–	–	–	–	–	–	0.0%	0.0%	–	–	–	–
Trading services	152 201	414	152 614	150 474	–	(2 140)	98.6%	98.9%	–	–	–	146 759
Energy sources	98 422	29	98 452	97 820	–	(632)	99.4%	99.4%	–	–	–	97 187
Water management	19 311	(551)	18 760	17 511	–	(1 249)	93.3%	90.7%	–	–	–	19 271
Waste water management	12 048	363	12 412	12 745	–	333	102.7%	105.8%	–	–	–	11 914
Waste management	22 418	572	22 991	22 399	–	(592)	97.4%	99.9%	–	–	–	18 387
Other	1 500	16	1 516	1 495	–	(21)	98.6%	99.7%	–	–	–	1 303
Total Expenditure - Standard	291 329	7 831	299 160	286 891	–	(12 269)	95.9%	98.5%	–	–	–	274 066
Surplus/(Deficit) for the year	38 531	12 073	50 605	17 632	–	(32 973)	34.8%	45.8%	–	–	–	34 950

MATZIKAMA MUNICIPALITY - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote) - Unaudited

Vote Description R thousand	2017/2018								2016/2017			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Vote 1 - Executive & Council		250	250	231		(19)	92.3%	#DIV/0!				18 678
Vote 2 - Finance	129 254	16 088	145 342	127 224		(18 118)	87.5%	98.4%				110 614
Vote 3 - Corporate	328	4 007	4 335	1 508		(2 827)	34.8%	460.2%				3 655
Vote 4 - Community Development	36 525	14 350	50 875	43 042		(7 833)	84.6%	117.8%				34 408
Vote 5 - Infrastructure Services	150 959	(1 996)	148 963	132 518		(16 444)	89.0%	87.8%				140 358
Vote 6 - Development and Townplanning Services	12 795	(12 795)	–	–		–	0.0%	0.0%				1 302
Total Revenue by Vote	329 860	19 904	349 764	304 523		(45 241)	87.1%	92.3%				309 015
Expenditure by Vote to be appropriated												
Vote 1 - Executive & Council	13 915	1 165	15 080	14 130	(951)	(951)	93.7%	101.5%	–	–	–	12 340
Vote 2 - Finance	35 966	5 163	41 129	35 828	(5 301)	(5 301)	87.1%	99.6%	–	–	–	36 305
Vote 3 - Corporate	16 064	1 613	17 677	15 330	(2 347)	(2 347)	86.7%	95.4%	–	–	–	14 559
Vote 4 - Community Development	52 715	14 031	66 746	65 199	(1 547)	(1 547)	97.7%	123.7%	–	–	–	45 905
Vote 5 - Infrastructure Services	158 269	257	158 526	156 404	(2 122)	(2 122)	98.7%	98.8%	–	–	–	154 795
Vote 6 - Development and Townplanning Services	14 399	(14 399)	–	–	–	–	0.0%	0.0%	–	–	–	10 163
Total Expenditure by Vote	291 329	7 831	299 160	286 891	(12 269)	(12 269)	95.9%	98.5%	–	–	–	274 066
Surplus/(Deficit) for the year	38 531	12 073	50 605	17 632		(32 973)	34.8%	45.8%				34 950

MATZIKAMA MUNICIPALITY - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure) - Unaudited

Description	2017/2018								2016/2017			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue By Source												
Property rates	46 632	651	47 283	44 727		(2 556)	94.6%	95.9%				42 530
Service charges - electricity revenue	110 459	74	110 533	100 072		(10 461)	90.5%	90.6%				102 379
Service charges - water revenue	18 498	(1 960)	16 538	11 016		(5 522)	66.6%	59.6%				16 952
Service charges - sanitation revenue	15 268	(150)	15 118	14 252		(866)	94.3%	93.3%				13 740
Service charges - refuse revenue	15 590	(150)	15 440	14 941		(498)	96.8%	95.8%				14 281
Service charges - other	–	–	–	–		–	0.0%	0.0%				–
Rental of facilities and equipment	4 066	(2 633)	1 432	1 597		164	111.5%	39.3%				3 621
Interest earned - external investments	1 550	–	1 550	2 498		948	161.1%	161.1%				1 701
Interest earned - outstanding debtors	3 100	(651)	2 449	2 835		386	115.7%	91.4%				3 162
Dividends received	–	–	–	–		–	0.0%	0.0%				–
Fines, penalties and forfeits	2 463	–	2 463	6 886		4 423	279.6%	279.6%				2 296
Licences and permits	1 071	(1)	1 070	1 302		232	121.7%	121.6%				1 164
Agency services	3 071	–	3 071	3 285		214	107.0%	107.0%				2 740
Transfers and subsidies	57 074	3 282	60 356	59 053		(1 303)	97.8%	103.5%				54 632
Other revenue	4 827	6 294	11 122	5 887		(5 234)	52.9%	122.0%				6 792
Gains on disposal of PPE	7 674	3 100	10 774	486		(10 287)	4.5%	6.3%				–
Total Revenue (excluding capital transfers and contributions)	291 341	7 856	299 197	268 837		(30 360)	1494.7%	1467.0%				265 991
Expenditure By Type												
Employee related costs	112 749	(716)	112 032	111 334	–	(698)	99.4%	98.7%	–	–	–	102 679
Remuneration of councillors	6 605	134	6 739	6 839	–	100	101.5%	103.5%	–	–	–	6 100
Debt impairment	10 700	4 900	15 600	14 698	–	(902)	94.2%	137.4%	–	–	–	13 478
Depreciation & asset impairment	14 822	690	15 512	14 382	–	(1 130)	92.7%	97.0%	–	–	–	13 644
Finance charges	10 159	111	10 270	8 242	–	(2 027)	80.3%	81.1%	–	–	–	7 817
Bulk purchases	90 281	(1 320)	88 961	87 612	–	(1 349)	98.5%	97.0%	–	–	–	90 355
Other materials	–	9 172	9 172	8 529	–	(643)	93.0%	0.0%	–	–	–	–
Contracted services	64	10 483	10 546	7 748	–	(2 798)	73.5%	12159.1%	–	–	–	–
Transfers and subsidies	1 132	387	1 519	1 428	–	(91)	94.0%	126.1%	–	–	–	1 027
Other expenditure	44 817	(16 010)	28 807	26 078	–	(2 730)	90.5%	58.2%	–	–	–	37 583
Loss on disposal of PPE	–	–	–	180	–	180	0.0%	0.0%	–	–	–	1 382
Total Expenditure	291 329	7 831	299 160	287 071	–	(12 089)	917.5%	12958.3%	–	–	–	274 066
Surplus/(Deficit)	12	25	38	(18 234)	–	(18 272)	-48420.7%	-146714.2%				(8 075)
Transfers and subsidies - capital (monetary allocations)	34 819	15 748	50 567	35 858		(14 709)	70.9%	0.0%				24 702
Transfers and subsidies - capital (monetary allocations)	3 700	(3 700)	–	–		–	0.0%	0.0%				–
Transfers and subsidies - capital (in-kind - all)	–	–	–	8		8	0.0%	0.0%				18 323
Surplus/(Deficit) after capital transfers & contributions	38 531	12 073	50 605	17 632		(32 973)	34.8%	45.8%				34 950
Taxation	–	–	–	–		–	0.0%	0.0%				–
Surplus/(Deficit) after taxation	38 531	12 073	50 605	17 632		(32 973)	34.8%	45.8%				34 950
Attributable to minorities	–	–	–	–		–	0.0%	0.0%				–
Surplus/(Deficit) attributable to municipality	38 531	12 073	50 605	17 632		(32 973)	34.8%	45.8%				34 950
Share of surplus/ (deficit) of associate	–	–	–	–		–	0.0%	0.0%				–
Surplus/(Deficit) for the year	38 531	12 073	50 605	17 632		(32 973)	34.8%	45.8%				34 950

MATZIKAMA MUNICIPALITY - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding - Unaudited

Vote Description	2017/2018								2016/2017			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - Executive & Council	650	100	750	660	–	(90)	88%	101%	–	–	–	125
Vote 2 - Finance	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 3 - Corporate	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 4 - Community Development	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 5 - Infrastructure Services	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 6 - Development and Townplanning Services	–	–	–	–	–	–	0%	0%	–	–	–	–
Capital multi-year expenditure	650	100	750	660	–	(90)	88%	101%	–	–	–	125
Single-year expenditure												
Vote 1 - Executive & Council	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 2 - Finance	6	154	160	65	–	(95)	41%	1082%	–	–	–	129
Vote 3 - Corporate	1 266	96	1 362	1 276	–	(85)	94%	101%	–	–	–	176
Vote 4 - Community Development	2 526	241	2 768	1 585	–	(1 182)	57%	63%	–	–	–	1 744
Vote 5 - Infrastructure Services	43 261	13 897	57 158	37 068	–	(20 090)	65%	86%	–	–	–	22 359
Vote 6 - Development and Townplanning Services	105	(105)	–	–	–	–	0%	0%	–	–	–	811
Capital single-year expenditure	47 164	14 283	61 447	39 995	–	(21 452)	65%	85%	–	–	–	25 218
Total Capital Expenditure - Vote	47 814	14 383	62 197	40 655	–	(21 543)	65%	85%	–	–	–	25 343
Capital Expenditure - Functional												
Governance and administration	2 022	350	2 371	2 090	–	(281)	88%	103%	–	–	–	430
Executive and council	650	100	750	660	–	(90)	88%	101%	–	–	–	125
Finance and administration	1 372	250	1 621	1 431	–	(191)	88%	104%	–	–	–	129
Internal audit	–	–	–	–	–	–	0%	0%	–	–	–	176
Community and public safety	8 046	(4 607)	3 439	2 743	–	(696)	80%	34%	–	–	–	1 700
Community and social services	825	(380)	445	346	–	(99)	78%	42%	–	–	–	472
Sport and recreation	7 221	(4 227)	2 994	2 397	–	(597)	80%	33%	–	–	–	1 229
Public safety	–	–	–	–	–	–	0%	0%	–	–	–	–
Housing	–	–	–	–	–	–	0%	0%	–	–	–	–
Health	–	–	–	–	–	–	0%	0%	–	–	–	–
Economic and environmental services	21 171	(344)	20 828	17 337	–	(3 491)	83%	82%	–	–	–	11 912
Planning and development	50	–	50	42	–	(8)	83%	83%	–	–	–	811
Road transport	21 121	(344)	20 778	17 296	–	(3 482)	83%	82%	–	–	–	11 102
Environmental protection	–	–	–	–	–	–	0%	0%	–	–	–	–
Trading services	16 470	19 089	35 559	18 484	–	(17 075)	52%	112%	–	–	–	11 300
Energy sources	3 150	(810)	2 340	1 950	–	(390)	83%	62%	–	–	–	3 627
Water management	12 170	17 051	29 221	11 772	–	(17 449)	40%	97%	–	–	–	760
Waste water management	750	2 238	2 988	2 740	–	(248)	92%	365%	–	–	–	6 584
Waste management	400	610	1 010	2 022	–	1 012	200%	505%	–	–	–	329
Other	–	–	–	–	–	–	0%	0%	–	–	–	–
Total Capital Expenditure - Standard	47 709	14 488	62 197	40 655	–	(21 543)	65%	85%	–	–	–	25 343
Funded by:												
National Government	34 614	6 817	41 431	30 162	–	(11 269)	73%	87%	–	–	–	21 088
Provincial Government	205	8 931	9 136	1 314	–	(7 823)	14%	641%	–	–	–	645
District Municipality	–	–	–	–	–	–	0%	0%	–	–	–	–
Other transfers and grants	–	–	–	–	–	–	0%	0%	–	–	–	–
Transfers recognised - capital	34 819	15 748	50 567	31 475	–	(19 092)	62%	90%	–	–	–	21 733
Public contributions & donations	3 700	(3 700)	–	–	–	–	0%	0%	–	–	–	–
Borrowing	–	–	–	–	–	–	0%	0%	–	–	–	–
Internally generated funds	9 190	2 440	11 630	9 179	–	(2 451)	79%	100%	–	–	–	3 610
Total Capital Funding	47 709	14 488	62 197	40 655	–	(21 543)	65%	85%	–	–	–	25 343

MATZIKAMA MUNICIPALITY - Reconciliation of Table A7 Budgeted Cash Flows - Unaudited

Description	2017/2018							2016/17
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, peanalties and collection charges	42 435	1 094	43 529	43 251	(278)	99.4%	101.9%	42 530
Service charges	144 326	1 812	146 138	136 636	(9 503)	93.5%	94.7%	148 061
Other revenue	19 198	(5 540)	13 658	15 649	1 992	114.6%	81.5%	9 210
Government - operating	57 074	1 743	58 817	58 817	0	100.0%	103.1%	55 427
Government - capital	34 819	22 437	57 256	58 066	810	101.4%	166.8%	23 946
Interest	4 340	104	4 444	2 498	(1 946)	56.2%	57.5%	4 862
Dividends	-	-	-	-	-	0.0%	0.0%	-
Payments								
Suppliers and employees	(254 514)	5 878	(248 637)	(230 236)	18 401	92.6%	90.5%	(257 817)
Finance charges	(3 616)	797	(2 820)	(2 649)	171	93.9%	73.2%	(3 156)
Transfers and Grants	(1 132)	(346)	(1 478)	(1 436)	42	97.2%	126.9%	(1 027)
NET CASH FROM/(USED) OPERATING ACTIVITIES	42 929	27 977	70 906	80 595	9 689	0.0%	0.0%	22 037
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	7 674	3 100	10 774	1 204	(9 569)	11.2%	15.7%	553
Decrease (Increase) in non-current debtors	-	-	-	42	42	0.0%	0.0%	-
Decrease (increase) other non-current receivables	-	-	-	-	-	#DIV/0!	#DIV/0!	40
Decrease (increase) in non-current investments	-	-	-	-	-	0.0%	0.0%	-
Payments								
Capital assets	(47 709)	(14 488)	(62 197)	(37 875)	24 322	60.9%	79.4%	(25 250)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(40 035)	(11 388)	(51 423)	(36 630)	14 794	0.0%	0.0%	(24 656)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	-	-	-	-	-	0.0%	0.0%	-
Borrowing long term/refinancing	-	-	-	-	-	0.0%	0.0%	-
Increase (decrease) in consumer deposits	263	99	362	280	(82)	77.3%	106.3%	340
Payments								
Repayment of borrowing	(5 201)	926	(4 275)	(1 909)	2 366	44.7%	36.7%	(4 115)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(4 938)	1 025	(3 913)	(1 629)	2 284	41.6%	33.0%	(3 775)
NET INCREASE/ (DECREASE) IN CASH HELD	(2 044)	17 614	15 570	42 337				(6 394)
Cash/cash equivalents at the year begin:	10 511	(6 394)	4 116	4 116				10 511
Cash/cash equivalents at the year end:	8 467	11 219	19 686	46 453	-	236.0%	548.7%	4 116